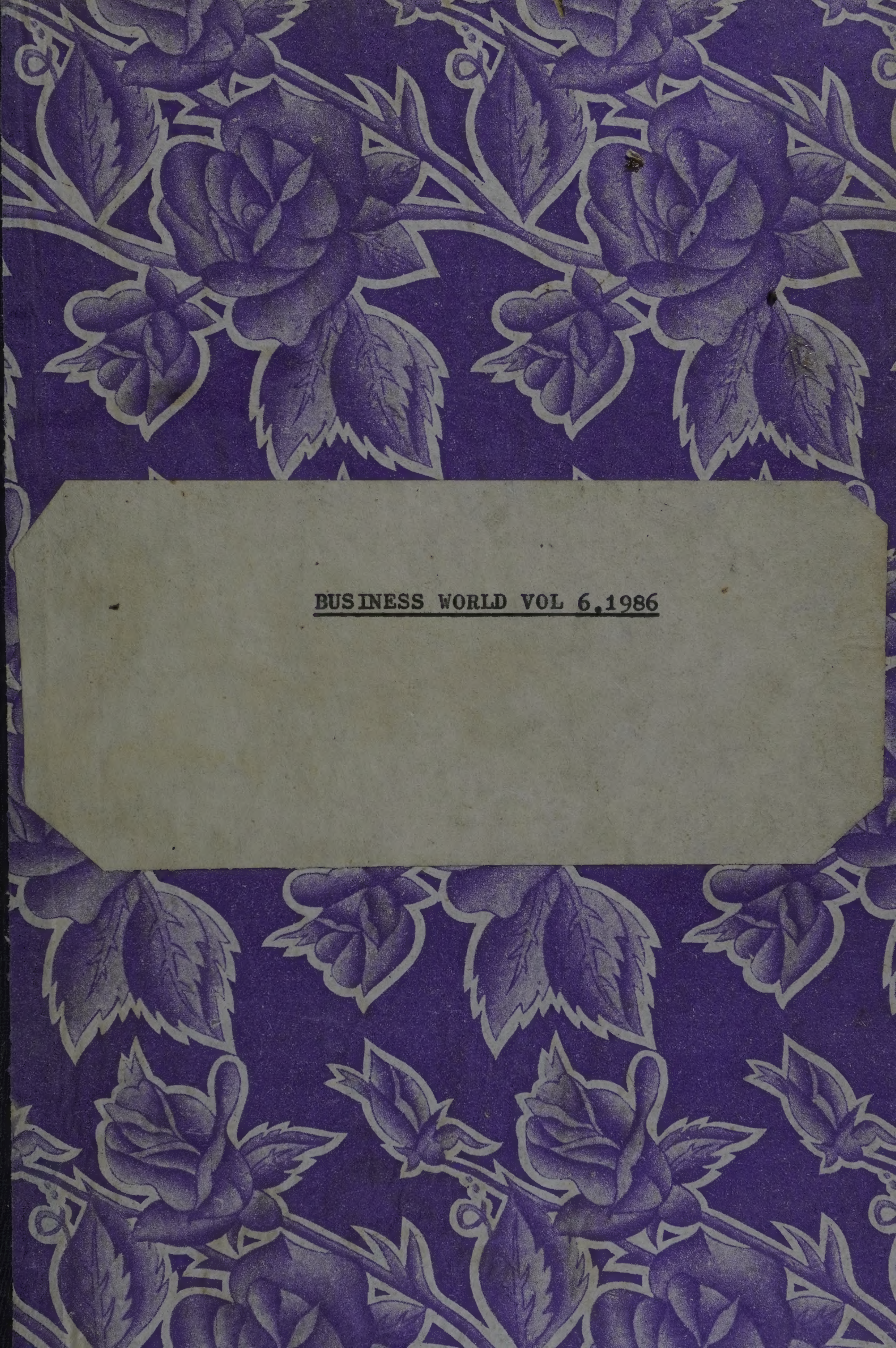

BUSINESS WORLD VOL 6,1986

Business World

magazine for Indian business

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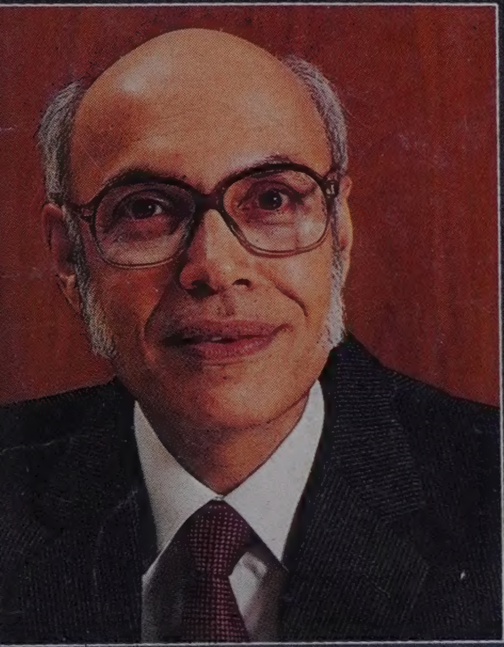
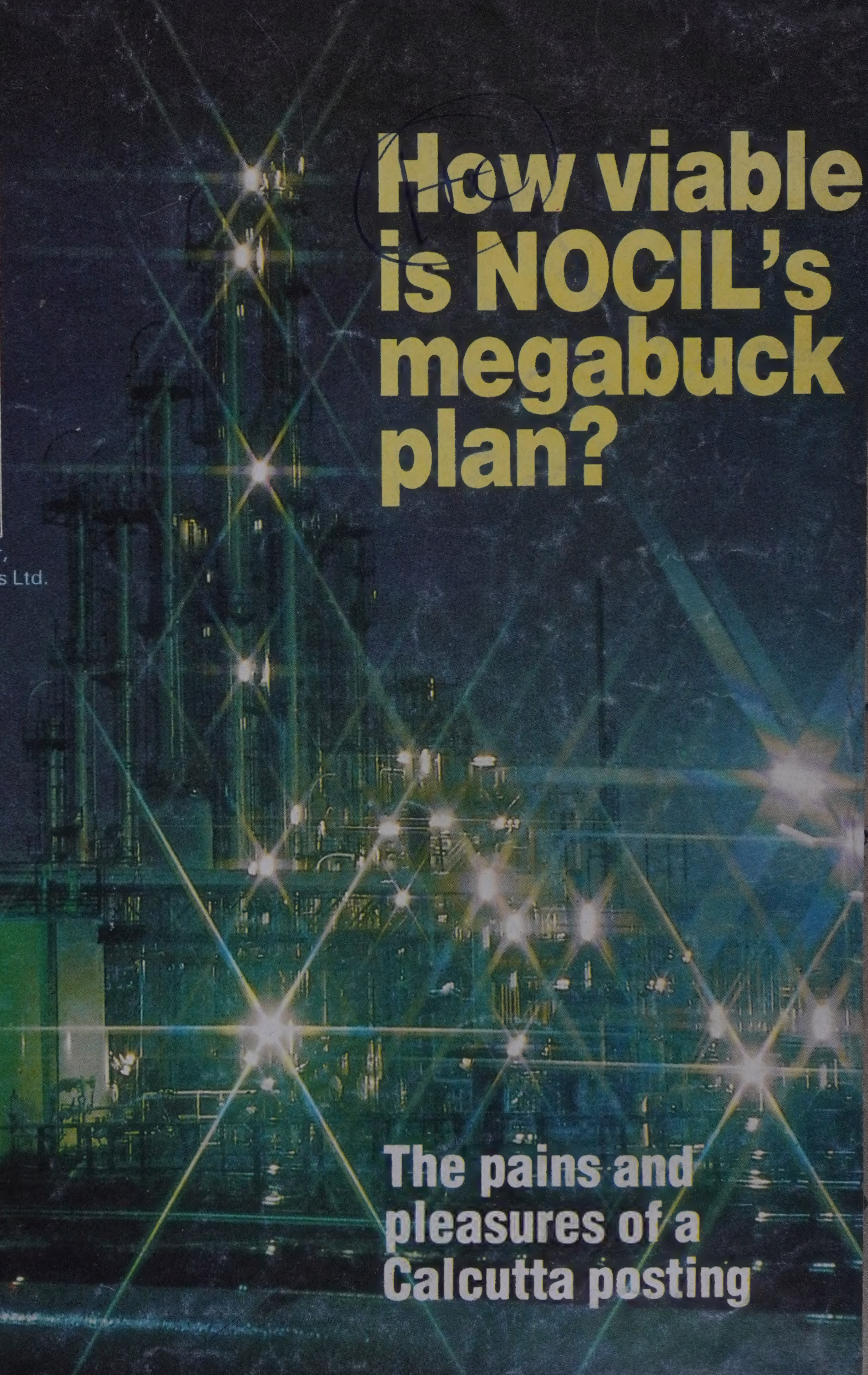


Patwardhan, managing director, onal Organic Chemical Industries Ltd.



How viable is NOCIL's megabuck plan?

The pains and pleasures of a Calcutta posting

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BusinessWorld

VOLUME 6, ISSUE 9, JULY 21-AUGUST 3, 1986

BusinessWorld
the magazine for Indian business

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Inland Subscription Rates
One Year 26 issues Rs 110
Two Years 52 Issues Rs 220
Three Years 78 Issues Rs 330

BusinessWorld does not accept responsibility for returning unsolicited manuscripts and photographs. All unsolicited material should be accompanied by self-addressed envelopes and sufficient postage.

Published for Ananda Bazar Patrika Ltd. from 145 Atlanta, 209 Ceremonial Boulevard Nariman point, Bombay 400 021 by Ranen Chakrabarty and printed at Printwell, Laxmi Mills Estate, Off Dr. E. Moses Road, Mahalaxmi, Bombay 400 011

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Client's Name	Quantity
NDDB	43 Nos
NTC	10 Nos
ONGC	6 Nos
IOCL	7 Nos
Dept. of Atomic Energy	7 Nos
Century Enka	5 Nos
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Convertible Debenture Issue open from August 1, 1986.

BusinessWorld
July 21—August 3, 1986

This fortnight's cover story is one which we have wanted to feature for a long time. But the proposal had been stalled because both Arvind Mafatlal chairman, and M.S. Patwardhan managing director, of National Organic Chemicals Industries Ltd. (NOCIL) are notoriously media shy. However the announcement of NOCIL's Rs. 1,300 crore megabuck expansion and diversification plan unveiled in mid-May for which a large volume of funds will be required to be raised from the investor public, is a consideration which persuaded Patwardhan to clear this feature on the country's oldest — though barely 25 years of age — petrochemicals and plastics manufacturing company.

Though the Bombay-based company's capacity expansion and diversification plan is somewhat overdue, the NOCIL management is undertaking its ambitious Rs. 1,300 crore programme at a time when the global petrochemicals industry is experiencing a metamorphosis and petrochemical product prices are plunging downwards.

Yet the company's managers led by Patwardhan are convinced that if the indigenous petrochemicals industry is to mature to international standards, NOCIL is the company to take the lead in this direction. This confidence that managers in the company so clearly display is obviously connected with the successful Rs. 100 crore modernisation and diversification programme recently completed which has enabled the company to spectacularly improve its bottomline during the past two years.

If these expansion and diversification proposals are given the green light by the Union government and the price of naphtha, the basic feedstock of NOCIL supplied by the public sector oil refineries is brought in line with world prices, there is no reason why the company cannot emerge as a world class petrochemicals company, say NOCIL managers. In this fortnight's Cover Feature our Bombay-based assistant editor Michael Neri profiles this company which is bidding to attain international status in a tough and rapidly changing industry.

And in this fortnight's Spotlight feature, our Calcutta-based special correspondent Sujoy Gupta examines the justification of the usually panicky reaction when a Calcutta posting is intimated to a member of India's growing fraternity of professional managers.

Dilip Thakore

Cover transparency by Abhay Tamhane

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Pathak urges banks to accept challenge of socio economic transformation

Excerpts from the speech of Shri J.N. Pathak, Chairman, The Bank of Rajasthan Ltd., at the 43rd Annual General Meeting held at Udaipur on 9th June 1986.

The Bank is in a sound position, the quality of its loan portfolio is excellent and it has a very good public image in the matter of customer service amongst the major banks, particularly those operating in Rajasthan.

DEPOSITS

The aggregate deposits of the bank increased by Rs. 50.18 crores and amounted to Rs. 376.61 crores. The weekly average of deposits during the year amounted to Rs. 318.18 crores as against Rs. 265.78 crores a year ago, reflecting a rise of 19.72%.

PROFITS

There was an increase of 15.6% in the net profits after allowing for usual and necessary provisions.

CAPITAL & RESERVES

It has now been decided to raise the authorised Capital from Rs. 1 crore to Rs. 2 crores and the paid-up Capital from Rs. 60 lacs to Rs. 80 lacs Total capital and reserves of the bank amount to Rs. 2.21 crores as against 1.82 crores last year.

ADVANCES

The Bank's advances to priority sectors increased by Rs. 7.33 crores and amounted to Rs. 73.07 crores.

SOCIAL BANKING

The Bank has been on the forefront in providing financial assistance to the members of SC and ST under various programmes. With the dynamic, youthful leadership provided by our Prime Minister Shri Rajiv Gandhi, I foresee some far-reaching changes in the country's social, economic and industrial environment and I expect that the banks will have to develop capabilities to anticipate and cater to the needs thrown up by the environment.

CUSTOMER SERVICE

The year 1986 is being observed as the "Year of Customers" by all banks. For us in this Bank customer service has never received secondary attention and this has in fact been our major strength.

Performance at a glance **(Rs. in lacs)**

Particulars	1984	1985
LIABILITIES		
Capital & Reserves	182	221
Deposits	32,565	37,661
Borrowings	1,492	1,200
Bills Payable	648	814
Other Liabilities	1,538	1,578
	36,425	41,474
ASSETS		
Cash and Balances with Bank	7,003	8,733
Investment	9,948	11,989
Loans & Advances	18,154	19,155
Other Assets	1,320	1,597
	36,425	41,474

Income-Expenditure **(Rs. in lacs)**

Particulars	1984	1985
INCOME		
Interest & Discount	3,030	3,625
Commission Exchange & Brokerage	297	308
Other Receipts	46	57
	3,373	3,990
EXPENDITURE		
Interest paid on Deposits, Borrowing etc.	2,090	2,533
Salaries & Allowances	901	1,019
Other Expenditure	337	386
Net Profit	45	52
	3,373	3,990

The Bank of Rajasthan Ltd.

Regd. Office : UDAIPUR

Central Office : JAIPUR.

PINKCITY

BusinessWorld
July 21—August 3, 1986

The advantages of the end of the soft aid era

The commitment made in Paris on 17th June by the Aid India Consortium nations to advance concessional loans aggregating $4.5 billion in the year ending 30th June 1987, has undoubtedly released sighs of relief in North Block, New Delhi. At a time when commercial banks' lending to the developing countries of the third world has fallen precipitately from $14 billion in 1984 to $3 billion last year, the 16% increase in the commitment of the consortium will undoubtedly take considerable pressure off the resource-strapped Union government.

Just how far the nation has retreated from its zero net aid ideal, which was one of the major objectives of the Fifth Plan, is indicated by the abject importunity addressed to the representatives of the donor nations of the Aid India Consortium by finance secretary R. Venkitaramanan on 16th June. The retreat from the goal of self-reliance is also indicated by the regularity with which this nation's representatives have been indulging in public displays of breast-beating over the loss of enthusiasm in the West — and in the US in particular — for replenishing the lendable funds of the International Development Association (IDA), the soft lending affiliate of the World Bank.

Yet it is time that New Delhi faced up to the reality that the era of soft term loans for India, whose representatives abroad never fail to boast about the nation being one of the most industrialised in the world, is over. Which is just as well because this country has been perhaps the largest recipient of soft term foreign loans and grants in recorded history. According to Reserve Bank of India statistics, independent India has received a massive total of Rs. 28,082 crores by way of external assistance of which the World Bank and IDA have contributed 40% on concessional terms while 22% has been doled out as grants and by way of USA's PL 480/665 assistance.

New Delhi's spokesmen seldom miss an opportunity to congratulate themselves for prudent debt management which has spared this nation the mountainous foreign debts run up by such nations as Mexico and Argentina. Yet this is less attributable to the prudent financial management of the Central government than the generosity of the Aid India Consortium of nations which have advanced a higher proportion of the loans solicited by India on very soft terms.

Nor is it part of some diabolical master plan that the hitherto generous aid-giving nations — and the US in particular — wish to ring down the curtain on the era of soft aid to India, Over the last decade or so, in the aftermath of the global inflationary spiral unleashed by the first OPEC-induced fuel price explosion of the early seventies, a large number of much-more-in-distress nations — particularly in Africa — have impacted themselves on the consciousness of the aid-giving nations of the first world. With fewer resources available to dole out as aid, the temptation to reduce the quantum of soft term aid to India with its enviable industrial base, thriving agriculture sector and which maintains the world's fourth largest standing army, is hardly surprising — indeed inevitable.

Wheedling and importuning

Despite the logic of a diminishing flow of soft terms,hard currency assistance to this nation which has been at the receiving end of western — and to a lesser extent Soviet — generosity for almost three decades, the citizen is not spared the ignominy of the nation's representatives begging for foreign aid on concessional terms. The humiliation is all the greater because no sooner than the commitments from the donor nations are obtained after much wheedling and importuning, loud noises are made about the nation's economic independence and self-reliance. Regrettably even media commentators who should know better are not above stressing the importance of the inflow of concessional finance from abroad even while imputing destabilisation motives to western governments which prefer to canalise their national savings to other nations which are perceived as being more needy. Indeed the dominant indigenous attitude seems to be that the Indian citizen has a fundamental right to a share of the savings of the developed nations — which are a consequence of their better economic management and financial prudence.

The regrettable but seldom articulated truth is that successive administrations in New Delhi which, as a consequence of the ill-advised adoption of Fabian socialism as the national ideology have attained the commanding heights of the economy, have been corrupted to the point of degeneration by the easy availability of cheap money from abroad and from within the economy. Indeed, it is arguable that it has been the voluminous flow of cheap money from abroad and from within (ensured by the simple expedient of impounding bank deposits and the monopoly profits of nationalised institutions such as the LIC and the General Insurance Corporation at less than half the market interest rates) into the exchequer which has financed the disastrous socialistic experiments of post-Independence India.

The mind-boggling inefficiencies of a Rs. 40,000 crore Central government public sector which barely offers a net annual profit of 2%; public sector projects in which cost overruns are the rule rather than the exception; capital-output ratios which are 300%-400% higher than worldwide norms; a Rs. 45,000 crore power generation system in which barely half the installed capacity is utilised; a vastly overmanned public sector steel company which produces steel at twice the average cost abroad; and the creation of a strongly entrenched 8 million strong government bureaucracy which hinders rather than helps the economic development effort have all been underwritten by the continuous flow of concessional finance from abroad and from within the Indian economy.

Biblical parable

In the circumstances if the era of cheap concessional finance to the Union and state governments is brought to a speedy end, it may well force the all-pervasive and dominant government apparatus to expend the finance which the people of India have unstintingly entrusted to it (an average of 94% of the outlays of each plan has been mobilised domestically) with greater care and prudence. Not without reason it is often said that foreign aid results in the deprivation of the poor in the rich countries for the benefit of the rich in the poor countries. As narrated in the biblical parable of the talents, there is a time when nations as well as individuals must account for the uses to which they put the largesse of generous donors. When the accounts are studied, New Delhi does not have much to show for the magnanimity it has received.

Consequently if the curtain is rung down on the three decade long era of soft aid to the government apparatus from both abroad and at home, the advantages of such a development may well outweigh the disadvantages. Hopefully it will teach the rulers of a grossly maladministered state the value of money.

Job hopping causes

SIR—The Cover Feature on job hoppers (*BW* April 14-27) was interesting. It would have been more impressive had the author gone into the depths of the subject by analysing the causes for the job hopping phenomenon in the current corporate environment.

Today, we still have organisations where the basic requirements for recruitment as well as for growth prospects are religion and caste. Talented members of the corporate world run from pillar to post in the hope of recognition of their abilities. Job hopping will increase multifold as long as this discrimination continues.

Perhaps the other important factor for job hopping is the illusion that a financially sound company is necessarily an excellent employer. This is untrue. According to the *BW*-MARG poll, Gwalior Rayon, a blue chip company of the House of Birla is at the bottom of the list as a company to work for.

Unfortunately, even in highly respected organisations where the personnel policy is otherwise fair and unbiased, the doors are invariably closed to an individual with a hopping record. No doubt each organisation must evolve its own culture but it should be flexible enough to accommodate entrants even in higher slots.

Raghuraman C.
Rishra (West Bengal)

Not so rosy

SIR—While your Editorial (*BW* June 9-22) on the industrial growth on the Seventh Plan portrays a promising panorama, the closure of major industrial units (Amar Dye-Chem, Shrinivas Cotton Mills and many others closer home in the Thane-Belapur district) depicts a sad picture of industrial destitution, which in its epidemic expansion in the other metropolises will confront the plan with its pageant of dead-end disabilities.

Subhash M. Pradhan
Bombay

Grim future

SIR—M.V. Kamath's Political Comment 'Hobson's choice' (*BW* May 26-June 8) is a thought-provoking piece. India is indeed in a pitiable state today when we do not have any strong political party to lead the country. The various parties currently on the political scene are not fully capable of holding all the people together, performing to the people's satisfaction and delivering the goods. The ingredients for a strong political set up *viz.*, authority, autonomy, legitimacy, etc., are woefully missing in their structures.

It is said that the ultimate safeguard for democracy is public awareness and a public conscience. Here in India, the world's biggest democracy, the voters are continuously occupied with their struggle for existence. They seem to possess neither the will nor the capacity to know the answers to the questions that are posed to them. The ordinary, simple, honest man does not appear to understand the present set up of democracy in India. Consequently, he turns in disgust to authoritarianism.

With communal and regional moorings, political parties will continue to be what they have been all along and with mass illiteracy, our voting pattern is not going to change. Add to this, the divergent views of opposition parties, with no possibility of a common, united or highly regarded opposition.

What does the future hold for us? Will it be better? One cannot hazard a guess.

T.S. Shankaran
Bangalore

Editing error

SIR—I refer to the article 'The domestic role of the executive father' (*BW* June 23-July 6). It has been brought to my attention that an editing error has been made in my article whereby Mrs. Smita Shah, child psychologist, has been referred to as Dr. Smita Shah. I would be grateful if you could publish a prompt correction to this effect. Any embarrassment caused to Mrs. Smita Shah is sincerely regretted.

Chandralekha Maitra
Bombay

We regret the embarrassment caused to Mrs. Maitra and Mrs. Shah—Editor

---

Suffer little children

SIR—I refer to the Business News article 'Blighted children' (*BW* May 26-June 8). Various socio-economic factors, coupled with a poor education system have made child labour an inevitability in our country. The government should recognise this and, Article 14 of the Constitution notwithstanding, employ children in its own establishments. This would ensure proper working conditions, wages, health facilities and the like. Education, especially of a vocational nature, can also be imparted by having weekend schools, etc.

However, in a country such as ours, pragmatism is pitted against 'socialistic idealism,' and the former very often comes out the loser. And guess who suffers?

J.S. Daboo
Bombay

Metals—Carnegie report

SIR—In your Letter from Sydney 'Metals: the Carnegie report' (*BW* May 26-June 8) I was unable to locate the address from where a copy of this report can be procured. I shall be grateful if you could send me the complete address of the publisher from whom this report is available.

B.S. Panwar
Librarian
The Minerals & Metals Trading
Corpn. of India Ltd.
New Delhi

The article was extracted from the Far Eastern Economic Review *(8th May 1986, p.114). Perhaps you could write to the magazine for further information regarding the book. The address is: GPO Box 160, Hong Kong*—Editor.

Open door

SIR—I read with interest the Business News write-up 'The decline of SIDO' (*BW* April 28-May 11), and as a retired director of SISI congratulate you on this well written and revealing write-up.

Most small enterprises today are operating with investments in plant and machinery ranging between Rs. 5-10 lakhs. The investment limit of Rs.30 lakhs allowed today will result in a large number of entrants from the medium and large-scale sectors invading the small-scale sector, with the result that the real small entrepreneur will be elbowed out of the facilities available to a small-scale unit by way of credit facilities and availability of scarce and critical raw materials. This is contrary to the original idea of helping the small entrepreneur to set up a small industry of his own even in small towns or the countryside.

With regard to the role of SISIs in a few states, from what I have seen over the years, the SISIs in almost all the states are in a state of neglect, owing mainly to a paucity of funds and the non-filling of vacant posts of SISI directors and other officers at all levels. How then can the SISIS show a better performance under these handicaps? It seems unfair to blame them for not being able to function as competently as expected, especially by way of technology upgradation and modernisation.

The position is made still worse by increasing the SISI investment limit which will mean many more demands on their services.

However, the Small Industries Organisation through their SISIS has played a very significant role in spite of the handicaps it has been working under.

R.N. Gandhi
Bombay

Retrograde levy

SIR—The Bombay Industries Association strongly opposes the move of the Maharashtra government announced in the recent state budget to impose a turnover tax of 1.25% on a total turnover exceeding Rs. 12 lakh per annum.

When industries in the state are already reeling under drastically eroding margins, the proposed levy will sound the death knell of industries in the state.

Maharashtra already has the dubious distinction of having the highest power tariffs, the highest wages, the highest octroi and now the highest state taxes. If the proposed tax is not withdrawn there will be a dramatic and immediate flight of capital to neighbouring states. This retrograde and obnoxious levy will only strengthen the hands of evaders who will now have an additional incentive to conduct unrecorded (cash) transactions. The most alarming features of the proposed levy are its multiplicity and the subsequent cascading effect.

The tax totally negates the intentions of the Union finance minister in introducing 'modvat' which was to eliminate the cascading effect and multiple levies.

Does the government think that industries—particularly small-scale industries—in the state are making such high profits to enable them to contribute 1.2% additionally? Not only is this measure likely to prove inflationary but it will also succeed in totally wiping out thousands of units which function with abysmally low margins in cut-throat competition conditions.

There is no justification or necessity for imposing this levy which promises to pale even octroi into insignificance by its illogicality. The government should immediately drop the proposal to levy the turnover tax which is the most disturbing of the revenue-garnering proposals in a budget which is cheerless for trade and industry.

Kanchan Dayanand
Secretary
Bombay Industries Association
Bombay

Incompetence subsidy

SIR—It is ironical that the 'Year of the customer—1986' in the banking industry has coincided with a massive increase in service charges. No satisfactory and convincing reply has been given to protesting customers either by the banks or the Indian Banks Association.

On referring the matter to the Reserve Bank of India, we are informed through its letter of 19th May 1986, that service charges are decided by the banks themselves with regard to various factors, mainly the cost of services rendered by them. The banks recently revised their service charges which remained unaltered for a long period, with a view to recovering at least a part of the cost incurred by them for rendering such services.

This raises the basic question of what exactly are the costs of the banks. The public would like to know if the costs passed on to the customers include: (i) A 1% extra interest on deposits given to bank employees and ex-employees in violation of Article 14 of the Constitution; (ii) The salary and other benefits, given to an estimated 25,000 employees who are technically 'released' for union work, and do not do an iota of bank work; (iii) Loans distributed by politicians at loan *melas* in gross violation of banking norms and the confidentiality clause of the Banking Companies (Acquisition and Transfer of Undertaking) Act, most of which are expected to be written off; (iv) The costs of sharp practices like sending several cheques and drafts in one registered envelope and claiming Rs. 3 each from all clients, over and over again. (v) The compensation for numerous frauds, which are not reimbursed by insurance companies because of the franchise, and as such have to be passed on as service charges.

Above all, many banks are being run today by a single official of the Union finance ministry without full-fledged boards. Thus the already inflated cost structure is further aggravated, because of the exercise of power without accountability and in gross violation of the parliamentary mandate to run the banks through duly constituted boards.

The massive increase in service charges is mostly a levy on customers to subsidise managerial incompetence and growing corruption in the banks.

M.R. Pai
President
All India Bank Depositors'
Association,
Bombay

Unconstitutional favour

SIR—The Reserve Bank of India has permitted 1% higher interest on deposits of bank employees and ex-employees. This favoured treatment is unconstitutional, and has led to malpractices in the form of *benami* holdings. It has added to the banks' costs and has thus pushed up service charges which were increased recently without rhyme or reason.

Our association has protested to the Reserve Bank of India against such discrimination. Depositors should write letters of protest to the Department of Banking Operations & Development, Reserve Bank of India, 'The Arcade,' World Trade Centre, Cuffe Parade, Bombay—400 005

K.M. Sundaram
Hon. Secretary
All India Bank Depositors' Association
Piramal Mansion, 3rd Floor,
235 Dr. D.N. Road
Bombay 400 001

Unsafe bank

SIR—The Falna branch of the State Bank of Bikaner & Jaipur is working in totally unsafe premises. The building is so constructed that, in the night hours, one can very easily enter it. The doors and ventilators are so structured that a thief can have very easy access to the strong room. Of the two ventilators on the way to the strong room, one is made of junked iron strips used for packing purposes and the other ventilator is an open window permitting direct entry to the verandah where the strong room is situated.

Authorities at the State Bank should take prompt action to shift the branch to safer premises. Dacoities at banks due to the deteriorating security situation have already stunned depositors, and banks have an obligation to ensure the safety of the deposits of its customers.

Surendra Kanstiya
Falna (Rajasthan)

Breakthrough
beyond expectations
Modi Continental
R80 Nylon Car Tyre

Quite immodestly it's a breakthrough!

An Investment of Research

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JUNE 28

The Shipping Corporation of India has decided to shift its entire container operations from Calcutta port to Haldia (*BS*).

US-based private lawyers acting on behalf of the Bhopal gas victims have appealed against US judge John Keenan's ruling that the case against Union Carbide Corporation should be tried in India (*FE*).

JUNE 29

In a major reshuffle of his 15 month old ministry, Karnataka chief minister Ramakrishna Hegde dropped three cabinet ministers and 14 ministers of state (*FE*).

JUNE 30

The final report of the Fourth Pay Commission was submitted to the Union finance minister V.P. Singh. The commission has recommended Rs. 750 as the lowest basic pay and Rs. 9,000 as the highest for Central government employees. Also, the number of pay scales has been reduced to 36 from the existing 153. The commission's recommendations will yield a 20% pay hike to 52 lakh Central government employees and armed forces personnel and will cost the exchequer an additional Rs. 1,925 crores annually.

A memorandum of settlement was signed by the Union home secretary R.D. Pradhan and the Mizo National Front leader Laldenga to end the 25 year old insurgency in Mizoram (*ET*).

JULY 1

Newspaper offices in the country remained closed in protest against the Central government's stand regarding the newsprint policy.

JULY 2

The Maharashtra government has decided to abolish octroi duty and has suggested an alternative levy (*ET*).

JULY 3

The Union government has decided to allow the manufacturers of polyester staple fibre to undertake production of polyester filament yarn and vice versa (*FE*).

The government has increased the interest rates on the employees' provident fund from 10.15% to 11%. Also, the annual limit of individual public provident fund has been raised from Rs. 40,000 to Rs. 60,000.

JULY 4

At a meeting of the financial advisers of various ministries, V.P. Singh said that public sector undertakings must reduce the cost of production per unit while at the same time keep prices steady.

JULY 5

The Indo-Libyan Protocol for further development of trade, commerce and industrial cooperation was signed in New Delhi.

The ruling Akali Dal in Punjab formally split and the breakaway group elected Prakash Singh Badal as its president.

JULY 6

Jagjivan Ram (78), former deputy prime minister and president of the Congress(J), died at New Delhi. He was one of the stalwarts of the freedom struggle and a veteran parliamentarian.

JULY 7

Nakasone's ruling Liberal Democratic Party in Japan won a landslide victory in the national elections held on July 6.

JULY 8

Prime minister Rajiv Gandhi inaugurated the two-day national conference of irrigation and water resources at New Delhi. During his speech he chided the states for the inter-state river water disputes resulting in colossal financial losses.

The Union finance ministry has directed all stock exchange authorities to take punitive action against those companies against whom persistent complaints from investors are received (*ET*).

JULY 9

Communal violence broke out in the Dariapur-Shahpur area of Ahmedabad during the annual *ratha yatra*.

JULY 10

The Union government has appointed a seven member committee under the chairmanship of the finance secretary S. Venkataraman to study the Fourth Pay Commission's recommendations. The committee is expected to finalise its report within a month's time (*ET*).

JULY 11

The State Trading Corporation and the Minerals & Metals Trading Corporation have worked out action plans for providing a massive thrust to exports in the current financial year (*ET*).

BS=Business Standard, ET=The Economic Times, FE=Financial Express

NEXT FORTNIGHT

July 21-30
Diagnostic & counselling skills for senior officers
Venue: NIESBUD campus
Organisers: National Institute for Entrepreneurship and Small Business Development, Okhla, New Delhi
(Tel: 630199)

July 24-26
Management audit
Venue: Hotel Taj Coromandel, Madras
Organisers: Madras Management Association and Institute of Internal Auditors (Tel: 475800)

July 26
Computer for S.S.I.
Venue: Taj Mahal Hotel, Bombay
Organisers: Bombay Management Association (Tel: 2049698)

July 26
Marketing negotiating skills
Venue: Centaur Hotel, Bombay
Organisers: Bombay Management Association (Tel: 2047650)

July 28-August 1
Loss prevention in ports
Venue: IIPM, Calcutta
Organisers: Indian Institute of Port Management, Calcutta (Tel: 459720)

July 31-August 2
Industrial marketing
Venue: Taj Mahal Hotel, Bombay
Organisers: Choice Consultants
(Tel: 540042)

August 4-9
Role of computers in commercial banks
Venue: MDI campus, Gurgaon
Organisers: Management Development Institute, Gurgaon, Haryana (Tel: 21173)

August 4-9
Cash management and working capital control — 3
Venue: Bella Vista, Hyderabad-49
Organisers: Administrative Staff College of India, Hyderabad
(Tel: 36956)

APPOINTMENTS

Chief Executive

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Linguistic anti-nationalism

M.V. KAMATH

In Mizoram, in Punjab and in Maharashtra, the separatists are getting active again. In Mizoram there are already signs that the Mizo National Front chief Laldenga, till recently a 'rebel' leader, is not quite satisfied with the much proclaimed accord signed with the Union government and will now seek to incorporate those areas in Assam which have a Mizo 'majority' population into Mizoram. In Punjab, Prakash Singh Badal, who saw his chances of becoming chief minister of Punjab slip through his fingers, has now formed a party to challenge Surjit Singh Barnala's ruling Akali faction. Barnala has accused Badal — and one presumes, rightly — of wanting to support separatist and terrorist elements in Punjab. In his quest for power Badal apparently is willing to go to any extreme.

Nearer home in Maharashtra, another unemployed politician, Sharad Pawar seems hell bent on creating the utmost mischief in his personal quest for power, no matter what it costs the country. He has found support in the most unlikely places. Vasantdada Patil, who had been banished to the deserts of Rajasthan would do anything, even join hands with his old opponent Sharad Pawar, to displace Shankarrao Chavan, the present chief minister of Maharashtra.

The Shiv Sena also likes to fish in troubled waters, as any agitation for the unity of Marathi-speaking people would bring it into the limelight. The Sena is flush with funds and anxious to extend its influence beyond the Bombay-Thane industrial belt. Datta Samant, the trade union leader, has also pitched in, so as not to be left behind. The Sharad Pawar-Datta Samant-Vasantdata Patil-Shiv Sena combine has propped up the ageing S.M. Joshi as their front man to lead an agitation for the incorporation of Belgaum and certain other areas in Karnataka into Maharashtra. And they will probably stop at nothing.

COMMENDABLE ELAN

The agitation to persuade the Karnataka government to cancel its order to impart Kannada to Grade I students in the disputed areas in Karnataka backfired for a variety of reasons. First, the Karnataka government stood firm and handled the agitation with commendable elan. Secondly, it pointed out that a similar order had been passed when Sharad Pawar was Maharashtra's chief minister, to impart Marathi to school-going children of Kannada parentage, in the areas currently in Maharashtra. Though Sharad Pawar now says that the orders were never implemented, an order is an order and can't be disputed. The Karnataka government order has been on the statute books for four years and was never challenged all this time. Presumably it would never have been challenged if Sharad Pawar had been in power. Out of power, Pawar had to do something to hog attention. Hence his recent moves.

Judging from the events of the last few weeks, Pawar seems willing to adopt any means to achieve his goal of taking over the reins of power in Maharashtra. It now seems that the agitation in Nippani and Sankeshwar over the alleged desecration of a Shivaji statue was pre-planned. Faked photographs were evidently published to stir up people's emotions. The strategy succeeded. The honour of Shivaji is a highly emotive issue, but it is inconceivable that any citizen of Karnataka would want to desecrate the memory of Shivaji who is, after all, regarded a national hero. And yet this was the suggestion put forth.

What followed can only be considered anti-national. Some 18 schools were reportedly damaged by mobs. Water mains supplying water to Belgaum city were smashed. Telegraph poles were uprooted. According to *The Hindu*, over 1,000 full-grown trees were cut down; an express train was derailed and nine people were killed in police firing. An SRP man was set on fire and saved in the nick of time. Tragedy has been piled on tragedy.

When the States Reorganisation Committee agreed to the creation of linguistic states it was then hoped that linguistic states would usher in a period of better administration for the people. Nothing of the sort has materialised. Linguistic states have not minimised corruption; they have not even brought people closer to the rulers. All that they have achieved is to turn 'minority' groups into second class citizens in each state.

This is particularly so in Bombay which is a multilingual city with a Marathi-speaking population of not more than 34%. The rest of the people speak a multitude of languages including Gujarati, Hindi, Kannada, Telugu, Malayalam and even Bengali. The contribution of the Marathi-speaking population to the prosperity of the city and by extension to the state is not commensurate with its population.

VIRULENT INSISTENCE

The population of Maharashtra is 10.9% of that of India but it is allocated 11.8% of the Central government's income, 16% of the nation's capital and generates 20.3% of industrial employment, 23% of the industrial production, plays host to 21% of the joint stock companies in India and 17% of the country's banks. But all this wealth is concentrated in only a few cities. The area of Bombay is only 2% of Maharashtra but it contains 50% of the industries of the state, 81% of the joint stock companies, 23.6% of bank offices, 59% of organised sector workers, 58% of the motorcars and 33% of government employment. Take Bombay out of Maharashtra and the state would be as backward as any in the Hindi belt. Hence the virulent insistence that Bombay must remain in Maharashtra.

On the one hand the non-Marathi speaking population of Bombay which is a majority in the city is treated with disdain. On the other hand the fruits of its labour are sought for the prosperity of all Maharashtra. This has been causing a great deal of unrest among the people.

The answer is to scrap the very concept of linguistic states which, in any event, are proving to be unmanageable. One sensible course is to cut the megastates down to manageable size. Small is not only beautiful, but is also efficient and fruitful, as has been seen in the instance of Haryana where every village has been electrified.

The wisest course would be to make the district the ultimate administrative unit and scrap the concept of states altogether. Yet another course to minimise the evil effects of linguistic states is to revive the old composite states of the pre-Independence era.

If sub-nationalisation gets to be too strong, it is likely to create many more problems than those we have had so far. The damage done during the Belgaum agitation and the killings that are continuing in Punjab should be a warning to pull back from the brink.

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BANKING AND FINANCE

A.V. RAJWADE

Leasing companies' illusory profits

The number of leasing companies doing business in India has now grown to over 400. This mushroom growth has come about only in the last two or three years, and the flow of new leasing companies coming to the stockmarket every week, if not every day, is continuing. Many of these companies manage to declare dividends in the very first year of operations, a performance no manufacturing company can match. This has encouraged the investing public to continue to support the new issues of leasing companies entering an already crowded field. Yet what are the real returns of leasing firms? Is the business as profitable as the managements of leasing companies make out?

The answer to these questions must be given against the backdrop that the growth in the number of leasing companies has intensified competition, and depressed rentals. Typical rates currently being quoted for lessees with a good credit rating are around Rs. 24.50 per month per Rs. 1,000 for plant and equipment. The corresponding figure for furniture, fixtures, etc., is Rs. 26. These rentals are for full-payout, five year financial lease transactions. Under most lease agreements, at the end of this primary period of five years, the lessee has the option to continue the lease at a nominal rent, say Re. 1 per month.

Major assumptions. I have calculated the internal rate of return (IRR) on the lessor's equity at the prevailing rates on the following major assumptions: (i) debt: equity ratio of 4:1; (ii) interest on debt at 17.5% per annum; (iii) rentals are used to service the debt; and (iv) the transaction takes place at the beginning of the lessor's accounting year, and is a true full payout financial lease. On these assumptions the IRR on equity works out to 8%-9%. To the extent these assumptions change, the IRR will alter, though not materially. Again, this is the marginal return on a transaction, and does not take into consideration marketing costs, overheads, and reserves against possible bad debts for which any prudent management of a finance company would make provision.

And yet, most leasing companies are declaring dividends of 15% or more. How is this possible? The main reason is underprovision of depreciation as analysed by me in this column some time ago (*BW* December 31-January 13, 1984, p. 14). According to sound accounting standards, a leased asset should be written off fully over the primary period of the lease. Thus on straight line basis, the depreciation provision should be 20% of the cost of the asset per year for a five year lease. But the Companies Act, 1956, permits depreciation to be provided at a much lower rate, which creates book profits and allows dividends to be declared without contravention of the law. Some companies are accounting for rentals on an imprudent, if not questionable, basis. Unfortunately the Institute of Chartered Accountants has not laid down separate guidelines for writing off depreciation and income on leased assets.

Discussions on this subject with various people connected with the industry reveal a surprising degree of complacency within the managements of leasing companies — the most common argument being that everexpanding business will take care of the problem.

Dangerous game. At the current rates of lease rentals and IRRS, new leasing companies will just about be able to meet expenses and create a modest bad debt reserve. Dividends, in effect, are being paid from capital. The position of the older companies is of course somewhat better because they have contracted leases earlier, at a time when lease rentals were more remunerative. They also have the benefit of lower overheads and better spread of risks. Underprovision of depreciation or accounting for unearned rentals, whether through ignorance or otherwise, in order to report profits is a dangerous game. And, to the extent this is resorted to, the balance sheets and profit and loss accounts can hardly be said to provide a "true and fair" picture of the financial health of a company.

In the interests of a healthy private sector financial services industry, it is essential that sound accounting practices for the leasing industry are laid down by the Institute of Chartered Accountants and enforced by auditors as soon as possible. Otherwise, investors' faith in the balance sheets of companies of all types is likely to suffer erosion when the chickens come home to roost.

COMPANIES

Chhabria counter-attack

The battle for the control of Shaw Wallace Ltd. (sales: Rs. 196.8 crores in the 'year' ended 30th June 1985), the Calcutta-based widely diversified company, has taken a curious turn. Caught in an intricate web of litigation ever since he shelled out $26.14 million in January 1985 to acquire the London-based R.G. Shaw & Co. Ltd. (which together with its three subsidiaries owns 38.9% of the equity in Shaw Wallace) from the Malaysia-based Sime Derby group — M.R. Chhabria (40), the Dubai-based non-resident Indian has been repeatedly thwarted in his attempts to assert himself as the largest shareholder of the Calcutta-based company.

The incumbent management of Shaw Wallace headed by S.P. Acharya has consistently resisted the Chhabria group's entry into the boardroom. Their grouse is that Chhabria is not the sole owner of R.G. Shaw and they believe that involved deeply in the R.G. Shaw transaction behind the scenes is the flamboyant liquor baron Vijay Mallya, chief executive of the Bangalore-based United Breweries group.

And in the wake of the protracted legal battle that has been (and is still being) fought for over 18 months, the decision to hold an annual general meeting of the company (scheduled on 18th December 1985) was indefinitely postponed. With voting rights and payments of dividend to shareholders frozen pending court approval, the mood in both camps is that of exasperation.

Which is hardly surprising considering the legal tangles both parties find themselves in. On 9th July, Chhabria and Mallya were formally charged by the enforcement directorate for alleged violation of FERA; under ss. 397 and 398 of the Companies Act, the Shaw Wallace management has been accused of gross mismanagement and misuse of company funds for their personal gain, while charges of evasion of excise duty are still pending against the company's management.

Do-or-die offensive. Thus while the Shaw Wallace management, somewhat tired of briefing counsel every day (according to one estimate the litigation is costing the company Rs. 1 lakh per day) is plodding along with its applications before the Calcutta high court, the Chhabria camp, exasperated by the "dilatory tactics" of the company's management, have launched a do-or-die offensive. Consequently on 4th July the Chhabria group, which is believed to be paying an astronomical $2.6 million by way of interest to foreign banks annually, has served a notice of requisition on the Shaw Wallace management to call an extraordinary general meeting (EGM) for the removal of three of the company's directors — S.P. Acharya, Ajaib Singh and R.M. Bhandari.

Disclosing Chhabria's latest move at a press conference in Calcutta convened the same evening (i.e. 4th July) K.R. Chhabria (32), director of R.G. Shaw and younger brother of M.R. Chhabria, was not sure whether the Shaw Wallace management would accept the requisition notice or "start another series of legal manoeuvres." The requisition notice for the EGM calls for the appointment of three Chhabria nominees to the Shaw Wallace board: K.R. Chhabria, managing director of Jumbo Electronics Co. Ltd. (UK) in place of S.P. Acharya; Sakhish Pandit, president of Orson Electronics Ltd., Bombay in place of Ajaib Singh and Shyam Bhatia, managing director of Orson Electronics Ltd., in place of R.M. Bhandari.

"We have no right to be on the board if we lose at the EGM," says the ebullient K.R. Chhabria who is obviously not afraid of testing the waters. "Mr. Acharya should not be afraid to face the EGM either. He has declared in an affidavit that he has the support of 61% of the shareholders. This is the time to prove it."

Clearly the curious case of the country's most celebrated corporate takeover bid is about to take an even stranger turn. Under s.169 of the Companies Act,"members of the company" who own over one-tenth of the share capital of the company or "have one-tenth of the total voting power of all members of the company at the date of deposit of the requisition notice" are entitled to call an extraordinary general meeting. And according to s.169(6) "If the board does not, within 21 days from the date of the deposit of a valid requisition in regard to any matters, proceed duly to call a meeting for the consideration of those matters on a day not later than 45 days from the date of the deposit of the requisition the meeting may be called by the requisitionists themselves."

Remote possibility. However, given the fact that the identity of the holder of the largest block of Shaw Wallace's equity shares is under dispute, it is doubtful whether the Shaw Wallace management will acquiesce to the suggestion of convening an EGM until R.G. Shaw's corporate veil is well and truly lifted. And even if the requisitionists are successful in convening an EGM — though that possibility seems remote — they will presumably have to move the courts to appoint an independent chairman to chair the meeting. After all, Acharya cannot be expected to chair a meeting that is convened expressly for his removal.

Watching this palling corporate serial from the wings are the public financial institutions — the owners of the second largest block of Shaw Wallace's equity. Given their 31% shareholding of this beleaguered company their aye or nay could well determine the fate of the incumbent management and of the aspirants once and for all. But so far they have chosen to maintain a studied silence as has the Shaw Wallace management. "The matter is subjudice," is the only cryptic comment that consistently emanated from Wallace House

K.R. Chhabria: offers received

As we go to press, rumours are afloat that US food giant Nabisco, one of the unsuccessful bidders for the R.G. Shaw sale back in January 1985, has re-entered the fray. According to market reports, pipped at the post by the Chhabria-held Carasco Investments (Carasco offered Rs. 50 lakhs over Nabisco's bid), the American company has now reportedly offered to buy R.G. Shaw for an undisclosed sum. In a telephonic interview, K.R. Chhabria confirmed that offers to purchase R.G. Shaw have been received by the Chhabria group. "We are not sure who is making these offers but the offer has been routed through certain people who we believe are Acharya's front men. But there is no question of selling out. We will fight this out," says the younger Chhabria.

Second investigation. As the Chhabria brothers oil their guns for the next assault, Mallya it seems, is in for a second bout of intensive investigation by the enforcement authorities. According to press reports (*Business Standard* 10th July) two fresh chargesheets have been registered in Bangalore — one against the United Breweries group alleging violations of the Reserve Bank of India's foreign exchange regulations and the second against Mallya himself, linking him with the Chhabria group and the transaction through which R.G. Shaw & Co. was purchased by Chhabria.

Thus far, a year long investigation has failed to establish Chhabria's financial association with Vijay Mallya. Whether the enforcement directorate will succeed in unearthing any incriminating evidence to establish the Chhabria-Mallya cash nexus this time is what corporate punters are betting on. Clearly there are many scenes that have yet to be enacted in this long drawn out corporate drama as the situation unfolds and till the courts hand down their verdict.

Meanwhile, the real beneficiaries of this labyrinthine legal wrangle are the lawyers on both sides — and they are certainly not complaining.

Debjani Sinha in Calcutta

INDUSTRY

Textiles: the reservations tangle

In the textile industry — the country's largest, oldest and most labour intensive industry — the current situation does not make for particularly encouraging reading. Indeed, for those in the handloom sector, which employs an estimated 10 million weavers, the status quo is particularly disturbing and in the southern states of Tamil Nadu, Andhra Pradesh and Kerala and the Union territory of Pondicherry, the apprehensions are even more palpable Which is not surprising considering that these are the major handloom producing centres of India. This consideration has also prompted the government of the southern states — no doubt with an eye on electoral considerations to push this cause as evidenced in the one day Southern States Handloom Weavers Conference held on 22nd June in Madras.

Significant resolution. Inevitably, there were demands for measures to help the handloom sector and the people directly dependent on it for their livelihood. Fourteen resolutions were proposed, seconded and duly passed during the course of the conference with a view to furthering the handloom weavers' cause and particularly in the southern states. As mentioned earlier, significant among the resolutions was the request to the government of India "to enforce the provisions of the New Handloom Reservation Act, 1985 effectively and expeditiously so that millions of handloom weavers in India would get reasonable employment."

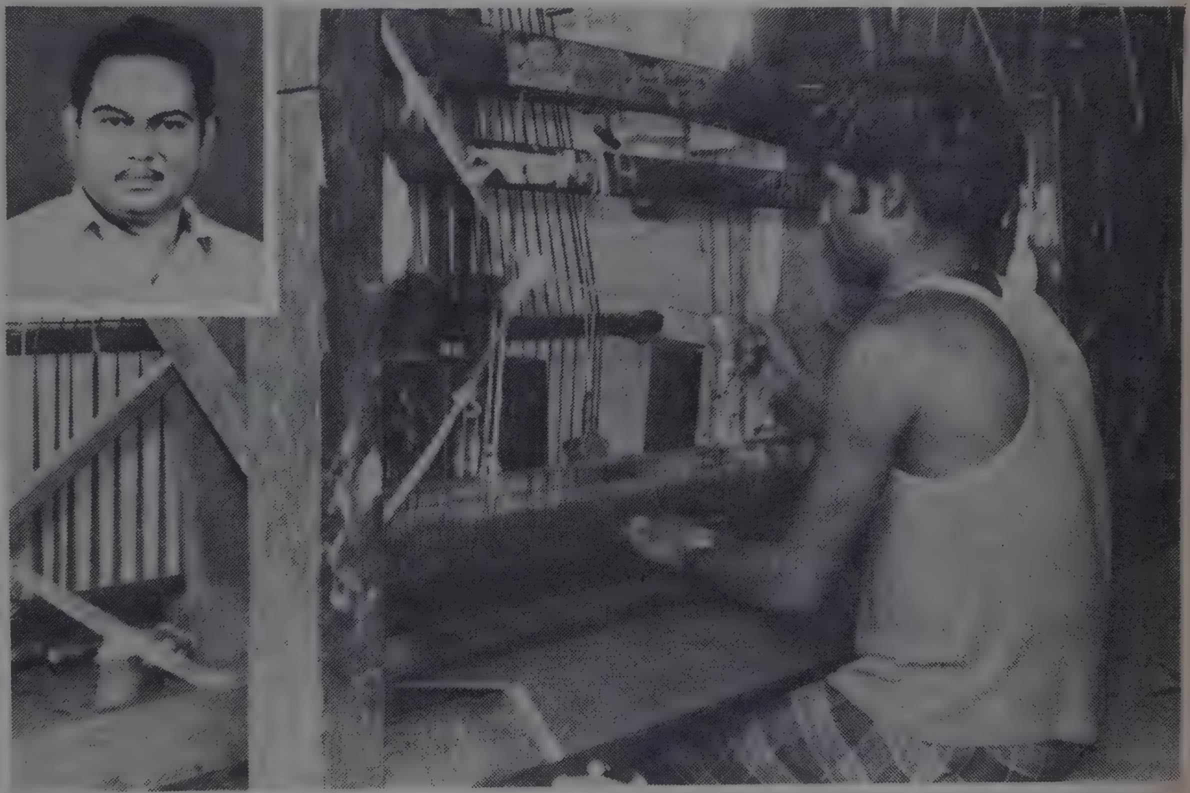
Comments V.V. Swaminathan, minister for excise, handlooms and textiles, government of Tamil Nadu: "Unfortunately, a few interested persons have moved the courts and obtained a stay against implementing the provisions of the Act. This is a continuation of the efforts made in the last 35 years to prevent the handloom sector weavers from getting a better deal. However.... it's time to fight such obstacles legally and proceed with the implementation of the Reservation Act."

The reservation is reportedly wide-ranging and covers a large variety of products to be reserved for exclusive production in the handloom sector. Independent observers are of the opinion that with such a variety, there is hardly anything left for the powerloom and organised mill weaving sectors to produce. According to one such observer, "If the Act comes into force today, the entire showroom inventory of Century Spinning & Weaving, Bombay, which is basically a cotton-based mill, is liable to be impounded." In that light, the ire of the powerloom and the cotton mill sector is understandable.

However, one thing is clear — even if the Act is passed, its provisions are more likely to be observed in the breach. As it is, the existing reservation rules are being flouted with brazen impunity and there is no reason to doubt that such flouting will persist and continue to erode the already shaky foundations of the handloom industry.

The primary factor which precipitated the steadily worsening situation into one of near crisis has been the rapid proliferation in the number and the production of powerloom units. During the period 1975-85, the number of powerlooms has more than trebled from around 3 lakhs in 1975 to an estimated 1 million in 1985 while the number of hand operated looms has increased only marginally from 3.5 million to 3.8 million and those in the mill sector, marginally from 2.07 lakhs to 2.10 lakhs. One consequence has been the decline in the share of the handloom sector in total cloth production from an estimated 29%-30% in 1975 to 25% in 1985 while that of the powerloom sector has risen from 25% to 45%.

'Underground' units. Says a senior Tamil Nadu government official, who was earlier, for a considerable length of time — over 15 years — in the handloom industry, but prefers to remain anonymous: "The powerloom enterprise has all the advantages of the handloom and mill sectors without their corresponding disadvantages. Their overheads are extremely low, their labour cost per metre works out cheaper than even the handloom sector plus the cloth that is produced is perceived by the customer as being of an acceptable quality. Governmental regulations to control the growth of powerloom units have only forced them to go 'underground' but their total number and production has increased manifold."


Handloom weaver. Inset: Swaminathan

Given these advantages of the powerloom sector, the logical question that follows is — why can't the handloom weavers switch over to powerlooms? Explains the senior official: "It is all a matter of statistics. The 3,500-4,000 million metres of handloom production is produced by more than 3 million looms while in the case of the powerloom sector, a much higher production is realised from a much smaller number of looms. While there is normally one or even 1.5 persons employed per handloom, in the case of the powerloom it may even be two looms to a man. Therefore, replacement by powerlooms would not employ as many as are currently employed in the handloom sector. Therefore, an analysis of the product mixes of the handloom, powerloom and mill sectors is needed, with the objective of identifying the products which could be gainfully produced by the handloom sector and to stimulate their production in that sector through financial and other incentives."

Failed test. This argument is further developed to include the topic of reservation of products based on the inherent advantages of this sector over the powerloom and mill sectors. Therefore textiles in which a higher degree of skill is required e.g. sarees, which is the traditional strength of the handloom sector, could be reserved for this sector. On the other hand an item like plain cloth could be more advantageously produced by the powerloom sector since the skill required is low while the speed and the quantum of production is much higher. Unfortunately, quite a few observers are inclined to believe that the Reservation Act fails in this test of selecting reserved items on the inherent strength of each sector.

Some other approaches suggested in the vexatious matter of sectoral reservations in the textile industry are on the basis of yarn count and conversion to garments. One such suggestion is that counts above 60 could be reserved for the handloom sector. Similarly garments manufacture could be left to the powerloom sector while the seamless variety of garments such as sarees and *dhoties* could be reserved for the handloom sec-

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tor. Unless such rationalisation measures are undertaken it is felt that the powerloom industry is likely to go further underground and at the same time, continue to adversely affect sales of handlooms.

Further, noises have been repeatedly made about the modernisation of the handloom sector. Comments Swaminathan: "The Union government has been insisting that the handloom industry be modernised and developed but so far the amount spent on the technical improvements, research and development and technical processing has been very negligible. It may not be inappropriate to mention that officials in the government of India have not realised the immediate necessity of modernisation and do not encourage such schemes."

Apart from bureaucratic rejuvenation, a key requirement in the entire scenario is not only the introduction of judicial and financial penalties but also a strong political will which can avoid easy populist measures and political appeasement and aim for the betterment of each sector of the textile industry.

Chandu Nair in Madras

GOVERNMENT

Pay rise rumbles

For once, despite the timely onset of the monsoon season, it was not the weatherman who was predicting the advent of a storm. Ever since the Rajiv Gandhi government was swept into power in New Delhi 18 months ago, a curious calm had descended over the labour scenario, with major strikes by government employees or public sector workers being the exception rather than the rule. Yet, with the submission of the final report of the Central Pay Commission on 30th June to the Union ministry of finance, ominous signs are beginning to manifest themselves in the disproportionately powerful ranks of organised labour who curiously number only 24 million or 10% of the national workforce.

While much of the capital's populace waited with hushed expectancy for the recommendations of the Central Pay Commission, only the fourth such panel constituted since Independence to examine the entire structure of the emoluments and the conditions of service of the civilian and armed forces personnel employed by the Central government, they were doomed to disappointment. For some strange reason, copies of the four volume document have not been made public even at the time of writing, unlike similar reports in the past which were generally available for sale a day after the government had formally presented the report.

Amidst this wholly unwarranted confusion, some basic details of what was initially thought of as a bonanza to the 5.2 million Central government employees in the country, began trickling in.

Pay Commission report being presented: beneficiaries far from satisfied

Among the major recommendations of this Fourth Pay Commission, headed by Justice P.N. Shinghal, are a drastic reduction in the number of pay scales from 153 to 36; a new scheme for the computation of dearness allowance; and a hike in the quantum of house rent allowance — all of which if accepted, will cost the Central exchequer a massive additional Rs. 1,280 crores per annum.

Even as employees in the non-governmental sector have turned green with envy on hearing about the mouth-watering sums the *babus* of North and South Block are now entitled to (e.g. joint secretaries: Rs. 5,900-Rs. 6,700 per month; additional secretaries: Rs. 7,300; secretaries: Rs. 8,000), several salvoes fired by the leadership of the various unions representing Central government employees indicate that the prime beneficiaries of the pay commission's award are far from satisfied.

"Extremely disappointed." Among the first to hit out at the commission's recommendations was S. Madhusudan, chairman of the Confederation of Central Government Employees and Workers Unions. "I am extremely disappointed at the rejection by the panel of our basic demand for parity in wages with the public sector. Moreover, the commission has done us an injustice by fixing 1st April 1986 as the date of implementation of its recommendations," he told this writer.

That Central government employees' unions have not taken kindly to the commission's award is evident from the remarks of Rangarajan Kumaramangalam (34), the suave young MP and trade union leader who is also a member of the ruling Congress(I). "I do not see any reason why we should have to pay a penalty for the time taken to finalise the report. Considering that the last pay commission was set up more than 10 years earlier in 1973, it is only fair that compensation must be provided on a retrospective basis. We are going to press for a lumpsum compensation from 1983 to 1986 on a pro-rata basis," he says.

There is some merit in Kumaramangalam's argument. As economists point out, pay commissions are constituted at 10 year intervals in the absence of the Central government's desire to enter into periodic agreements with the unions of its employees. In fact, the Fourth Pay Commission itself argues for the creation of a permanent machinery to undertake a periodic review of the pay scales and allowances of Central government employees. Kumaramangalam however goes a step further, advocating the termination of the pay commission mode of wage determination. "I think it would be so much better if the government entered into negotiated agreements with unions just as the public sector undertakings do. It will then be able to link wages with productivity and efficiency by demanding them," he argues.

Greatest resentment. Dissatisfaction with the recommended date of implementation of the award apart, the greatest cause for resentment is that the Fourth Pay Commission has made no attempt to bring government salary scales on a par with those of the Central government's public sector enterprises.

Even after the commission's award, the pay scales for similar work differ in the Central government and the PSUS owned by the Central government primarily because of union pressures in the PSUS. For example, while a peon earns a basic wage between Rs. 792 and Rs. 1,022 in a PSU, in government he would earn at best Rs. 750-940 per month. Similarly, motorcar drivers in PSUS will continue to earn nearly Rs. 500 more and typists nearly Rs. 250 more per month than their counterparts working for government. Little wonder that the average per capita remuneration in the PSUS shot up by 344% between 1970-71 and 1984-85 while the consumer price index rose by 270%.

Damning rebuttal. Yet, all that the pay commission says in this regard is, "Employment in government has its own stature and security. The pay structure for the employees of such a vast and complex organisation cannot be based on a simple comparison of the pay scales at the lowest level in PSUS." It is this damning rebuttal of the longstanding demand of the Central government employees that they receive equal pay with those in the public sector that has angered Central government employees.

Indeed, Kumaramangalam was stung into saying, "Although this is a harsh criticism, I would go to the extent of saying that the pay commission has perhaps unknowingly violated its very terms of reference. There is no difference between what a sweeper in a government-owned public sector company and what a sweeper in government do. Why on earth should there be a pay difference?"

Most union leaders even of widely differing political hues believe that the real beneficiaries of this award are those in the upper echelons of government and the defence services while those in the lower echelons of government have been awarded marginal pay rises. "If you take the topmost and the bottommost then the rate of increase is 45% vis-a-vis 23%. It is obviously not very fair to the Class IV employees," says Kumaramangalam.

To a significant extent these perceived infirmities of the award are rooted in the chronic and widespread unemployment which is an outstanding characteristic of the Indian economic development effort, and the job generating 'chit culture' that has sprung up in its wake. The feature of this culture is that by the simple expedient of issuing notes or chits to favourites, powerful politicians and bureaucrats have created thousands — perhaps millions — of unnecessary jobs within the eight million strong Central and state government bureaucracy. Thus even a small increase in the wages or salaries of government servants runs up a massive bill for the government, as the Central government which has to find Rs. 1,280 crores has undoubtedly discovered.

However, the commission has broken fresh ground. For example, while most pay commissions have rejected the concept of the Central government being a model employer, the Fourth Pay Commission has endorsed it. Even while admitting that "practical exigencies" make it impossible for the Central government to discharge this role, the commission nonetheless observes: "There is however no reason why the state should not play the role of a good employer in the field of pay determination. For a dispensation or a role which is not a model may still be good in the circumstances in which it is expounded..."

Unequivocal demand. Moreover, the commission has been unequivocal in demanding that the state proceed to give effect to the idea of paying a "living wage." "It is the duty of the state to reach it (*sic*) or to try and reach it or to at least make an honest and persistent effort to inch towards it," says the report. The commission has also reiterated that governmental pay scales should be high enough to attract the competent and to motivate those in government to discharge their duties efficiently.

Nevertheless the all-important question as to whether the recommendations of the Fourth Commission are likely to galvanise the employees of the Central government into providing an efficient administration or to man the picket lines, is difficult to answer at this stage. But it is certain that the recent 'concessions' — however unsatisfactory they may seem to the recipients—will become the springboard of the aspirations of other organised sector employees, notably in the public sector undertakings. With the process of wage-bargaining about to commence in SAIL, BHEL, HMT and a host of other PSUS, the lines of battle are now clearly drawn as the union leaderships in the PSUS strive to retain their edge over the Central government's revised pay scale.

The uncomfortable reality that massive pay increases, without corresponding increases in productivity, are not only likely to be inflationary, but will also erode the resource base of the Seventh Plan, is likely to be brushed under the carpet. This is the price that has to be paid for being the most over-governed country in the world.

Anand P. Raman in New Delhi

MEDIA

Fourth estate cleavage

The plight of the newspaper publishing industry, which citizens take for granted and politicians fear as a sensation-hungry nuisance, was brought sharply into focus on 1st July, when 495 publisher members of the Indian and Eastern Newspaper Society (IENS) — an association of medium and large newspapers and periodicals publishing firms — downed shutters and sent their employees off on a day's forced holiday. As a consequence, over 235 daily newspapers with a combined circulation of 14.8 million copies were not delivered to homes or the newsstands on 2nd July.

This unprecedented and somewhat unique collective action by newspaper publishers was prompted by what IENS president Basudev Ray described as an arbitrary and steep increase in the government-determined price of newsprint and other governmental decisions which will add a heavy financial burden to newspaper publishing firms and cripple not a few of them. Ray spelt out in some detail the range of governmental decisions which in his view "seriously threaten the freedom of the press."

On 31st December 1985, the government announced a price increase for indigenously manufactured newsprint ranging between Rs. 1,000 and Rs. 1,600 per tonne (newsprint is manufactured exclusively by characteristically high cost public sector paper mills in this country). As a consequence of this increase, the prices of indigenously manufactured newsprint which, according to an earlier government order must constitute 65% of a publishing firm's annual consumption of newsprint, shot up by 12-15% to between Rs. 8,960 and Rs. 9,560 per

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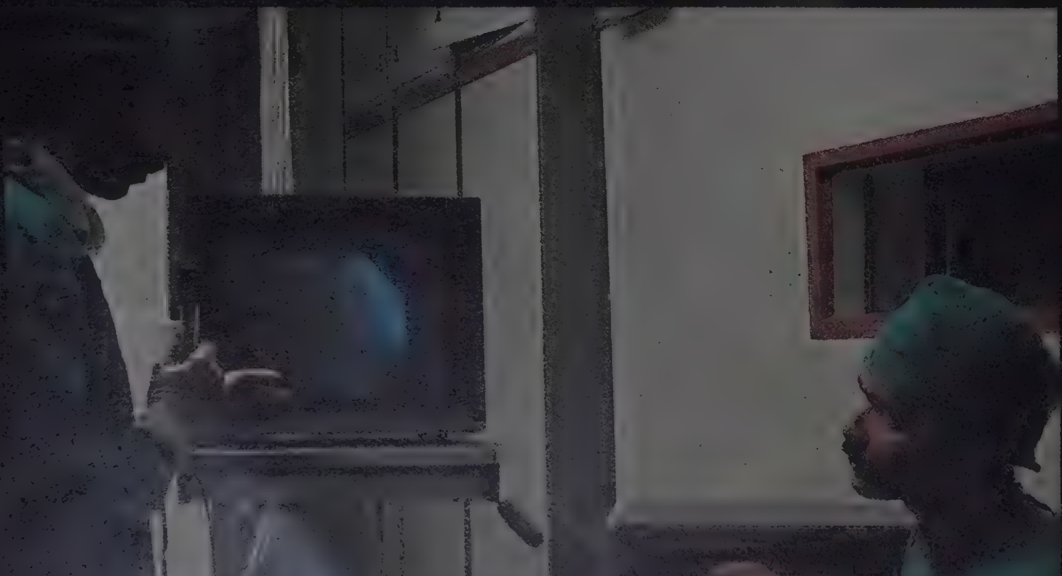

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tonne, or almost three times the international price of this vital raw material of the newspaper publishing industry.

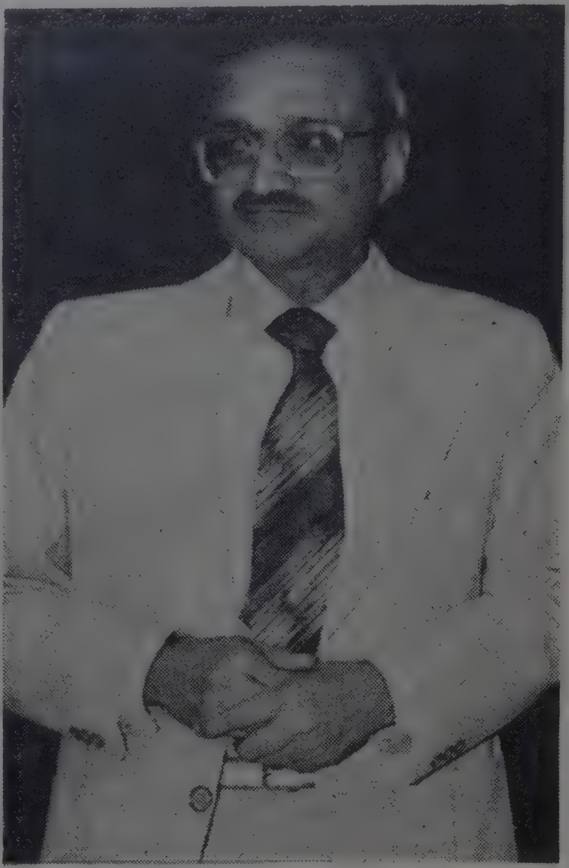
Even the prices of imported newsprint were hiked steeply in early 1981 in the wake of a substantial 15% import duty being levied on such imports. Thus imported newsprint is now available at Rs. 6,980 per tonne or 53% more than the landed (post duty) cost of newsprint prevailing in 1981 of Rs. 4,560 per tonne.

Restrict circulation. These recent massive increases in the cost of newsprint will increase the share of newsprint costs in the total cost of newspapers from the prevailing 60% to an estimated 70%, and will inevitably lead to further escalations in the issue price of newspapers which, according to a doomsday scenario, will restrict the rise in newspaper circulations and divert advertising into the government controlled Doordarshan which is increasing its 'reach' apace.

Ashok Jain (52), chairman of Bennett Coleman & Co.Ltd., the country's largest newspaper company which publishes the 14 publications of The Times of India group, summed up the situation in a recent interview to *The Illustrated Weekly* (29th June-5th July). "For example, on the ground of conserving foreign exchange, the government is compelling us to buy Indian newsprint at a prohibitively higher price: 50%-70% higher than the cost of imported newsprint. And much poorer in quality. For a newspaper where the selling price does not even cover half the cost of the raw material — that is, paper and ink — this is hurting our economics very badly. The argument regarding conservation of foreign exchange is far too facile because only a very insignificant portion of our total import bill of Rs. 12,000-14,000 crores is spent on the import of newsprint," complains Jain.

If newsprint price increases have put the screws on the Indian press and threatened the economic viability of the print medium in general and of small publications in particular, Ray, quoted earlier, claims that the recent announcement of an *ex parte* wage increase for journalists and non-journalists by the government represents the proverbial last straw.

In 1984, at the behest of unions of journalists and non-journalist employees in the print media, the Union government appointed a wage board headed by retired Justice Bachawat to recommend a wage settlement for print media employees. The Bachawat Committee, inundated with data, awarded an interim award in late May which *inter alia* recommended a 7.5% increase in the basic pay of print media employees to take effect from 1st June 1986.


Jain: painful economics

However, in response to a widespread outcry from newspaper employees, in total contravention of its agreement to consult newspaper managements while interfering with their wage structures, on 31st May the Union minister of labour P. A. Sangma announced that journalists and non-journalists would be awarded a 15% increase in basic pay with effect from 1st June 1986 by way of interim relief.

At a rough estimate, the latest newsprint price increase and the recommended wage settlement will cost the newspaper publishing industry an additional Rs. 20 crores and Rs. 30 crores respectively. For the 6,944 small, 4,611 medium and 271 large newspapers registered with the registrar of newspapers at the end of 1985, these are large imposts and are bound to push smaller publications deep into the red.

Support base. It is by now a not unknown fact that the mainline and particularly English language media, do not constitute a threat to ruling oligarchies except peripherally and occasionally. On the other hand, the small local newspaper, which is read by people who constitute the support base of local publications and village elites, tends to have far greater potential to consciencitise and canalise public protest. The nuisance value of exposures in the local media is consequently much greater. The innumerable examples of exposes in the local media resulting in major political embarrassments underscore the point; the Bhagalpur blindings, the possibility of a major accident at Union Carbide's Bhopal plant and the Nellie massacre being only some of the better known ones.

Most small newspapers have circulations approximately 1,000-1,500 copies per issue, and have necessarily to be sold at prices that are affordable to the relatively less well off village and small town residents. Not surprisingly, publishing the small newspaper is a precarious economic exercise, barely profitable in good times, and a losing proposition in others. Which is perhaps why of the 6,944 small papers registered in this country not more than 20% appear on a regular basis, while a large number exist merely on the records. The massive hike in newsprint prices will clearly drive an increasing number of small newspaper publishing firms into bankruptcy.

Yet, it is the large newspapers which are the most incensed about the recent wage accord and the earlier newsprint price increases, ostensibly because their fixed overheads are much higher than those of small papers, making them equally incapable of dealing with escalations in input costs. But it is they who have consistently hiked the issue price of newspapers and advertisement rates as well, which have possibly more than compensated them for the burden of extra newsprint and wage costs.

For instance, the issue price of most mainstream English language dailies more than doubled between 1983 and early 1986 from Rs. 0.40 per copy to Rs. 1 per copy, while advertising rates — at least of the major newspaper groups — almost trebled during this period. Costs of newsprint and wages — which in a large newspaper group hitherto accounted for 60% and 8%-10% respectively of total costs — have increased by no more than 40%-50% during this period. And even as the price of advertising space has increased steeply, the aggregate gross income of the press on this score has almost doubled from Rs. 230 crores in 1981 to Rs. 450 crores in 1985, representing an annual average rate of growth in advertising revenue of 25% per annum.

Sanctity destroyed. It is noteworthy in this context that despite the emergence of commercial television as a prime advertising medium since 1984, the rate of growth of press advertising revenues as a whole has increased over the last three years. Though there is considerable merit in the Indian Express management's viewpoint that by arbitrarily raising the quantum of the interim relief awarded by the Bachawat Committee, the Union government "has destroyed the sanctity of the wage board and the value of its work," there is no gainsaying that journalists' salary scales even in major newspaper chains tend to be low. For example even a senior assistant editor of the Indian Express group receives gross emoluments aggregating between Rs. 2,500-3,000 per month or less than the gross emoluments of peons and other unskilled workers in several organised industrial sector companies.

It is possible that the Bachawat Committee, like its predecessor, the Palekar Committee, may compel the larger newspaper publishing firms to hike journalists' salaries substantially even if relatively better paid non-journalists are less fortunate. But in the short term — despite the patent illegality of the government's hike of the Bachawat Committee's interim award — journalists are likely to dismiss IENS member publishers' opposition to government intervention as evidence of an unwillingness to share the gains of growth. This could drive a wedge between newspaper publishers and their employee-journalists much to the delight of government.

It is axiomatic that the large circulation newspapers set the norm for the rest of the publishing industry and poorly paid journalists in the employ of the larger dailies are hardly likely to provide an inspirational model for journalists in smaller publications. Also, unless journalists are paid salaries which are comparable with those of their counterparts in other professions — not excluding the national bureaucracy in the wake of the recent wage award for these employees — the inflow of new talent into the fourth estate will be discouraged, and the existing fraternity of journalists will be tempted to succumb to the compromising material blandishments of big business and government. Both these lobbies have hitherto utilised every trick in the book to corrupt mediamen; and not without success either, the minority of exceptions notwithstanding.

In the final analysis, it is not inconceivable that the populist and arbitrary hiking by government of the Bachawat Committee's interim award was designed to accentuate tensions between journalists and publishers at a time when the Indian print media is undergoing a qualitative transformation resulting in more investigation, clearer analyses and a forthright reportage of the blatant violation of people's rights. By falling into this trap, journalists may well be unwittingly ensuring what the government wants most — the right to intervene in the management of the fourth estate.

Michael Neri in Bombay

ECONOMIC COMMENT

R.J. VENKATESWARAN

Neglected advisory councils

The government of India has recently set up an advisory council for the ministry of programme implementation. Ratan Tata is the chairman of the council and its members are S.P. Acharya, A.K. Khosla, M.B. Athreya, Dhruv Sawhaney and Parvinder Singh. Both the chairman and the members are men of considerable competence and experience. But what are the prospects of the council making an effective impact on the performance of this ministry?

Since the attainment of independence, advisory councils have been advising several ministries but the latter have not made the best use of the expertise of such councils. Their meetings are not held at regular intervals and the suggestions made by the members are seldom given the importance they deserve.

Futile occasions. For example, in his annual statement of the Tata Iron & Steel Co. in July 1964, the highly respected captain of industry J.R.D. Tata complained that "consultancy forums like the Central Advisory Council of Industries and the annual meetings of chambers of commerce are generally treated as futile occasions for making or listening to set speeches while the chairman's annual statements, though usually well reasoned and documented, are wholly ignored."

It is significant that the advisory council on trade has not held a single meeting since the Rajiv Gandhi government was sworn in more than 18 months ago. Even when the country is confronted with a huge trade deficit, the commerce ministry has not thought it necessary to convene a meeting of this council and seek its advice on how to promote exports and regulate imports so as to reduce the deficit. The advisory council on industry held a meeting only this year in April after an interval of over two years.

Against this backdrop, it remains to be seen to what extent the advisory council of the ministry of programme implementation will be able to play a useful role. The ministry has been saddled with a wide range of responsibilities. According to an official note circulated at the first meeting held in April of the parliamentary consultative committee affiliated to the ministry, the latter's main tasks are to monitor the performance of the infrastructure industries in the power, coal, steel, railways, cement, fertilisers, petroleum, shipping and telecommunications sectors; to monitor the implementation of Central government projects with an outlay of over Rs. 20 crores and also to monitor the implementation of the 20-point programme.

The Union minister of programme implementation, the controversial A.B. Ghani Khan Choudhry, has to make up his mind on the specific subjects on which he intends seeking the opinion of the advisory council. For this the ministry has to furnish the members of the council with all the relevant data and background material to enable them to express their views and offer recommendations. This, however, is not likely to prove an easy task since several ministries are already handling these subjects and have been monitoring various programmes relating to their implementation. The minister therefore should work towards facilitating close coordination among the different ministries — a demanding task in the context of the constant jockeying for power and influence among politicians and bureaucrats.

Endemic delays. Rajiv Gandhi has often voiced concern at the enormous delays that are endemic to the implementation of various programmes and the execution of vital projects in this country. Pandit Nehru and Mrs. Gandhi also deplored such delays and expressed their desire and determination to eliminate them. But the government has been unable to achieve much success in this direction.

The causes and consequences of the delays that have bedevilled the Indian economic development effort have been widely discussed and practical solutions have been identified time and again. But serious and systematic efforts to adopt remedial measures have been conspicuously lacking. If the prime minister is keen to ensure that the tempo of economic development picks up he should issue instructions to ensure that the advisory councils affiliated to the various ministries of the Union government perform a useful role in helping the government, which claims to work faster, to actually do so.

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BusinessWorld
July 21—August 3, 1986

Resignation & retirement

H.P. RANINA

The question whether resignation is synonymous with retirement has recently arisen in view of the provisions of s.10(10-AA) of the Income Tax Act, 1961, which exempts leave salary owing to an employee at the time of his retirement, whether on superannuation or otherwise, from income tax.

The maximum amount which is exempt from tax under the section is restricted to six months' salary or Rs. 30,000, whichever is less. The salary to be taken into account for this purpose is the average salary drawn by the employee during the period of 10 months immediately preceding his retirement, whether on superannuation or otherwise.

The question which has been raised time and again is whether an employee can claim the exemption under s.10(10-AA) in respect of unutilised leave encashed upon his resignation for the purpose of switching jobs. Some employees who wish to claim the exemption at the time of resignation are of the opinion that resignation is synonymous with retirement and, therefore, when an employee resigns to switch jobs, the benefit of tax exempted leave encashment should also be available to him.

DEFINITE DIFFERENCE

It is pertinent to note that there is a definite difference between retirement and resignation. The *Collins English Dictionary* defines resignation to mean "to give up tenure of a job,office,etc.," whereas retirement is defined to mean "to give up work especially on reaching pensionable age."

Quite patently, an act of resignation implies the cutting short of the tenure of an existing job to take up a new one, while retirement means giving up gainful employment altogether. Retirement could be either at the age of superannuation or it could be prior to that age, either on grounds of ill health or for any other reason. For example, a person may retire from employment to start his own business or, if he is professionally qualified, to start his own professional firm.

In the latter case, the amount received upon retirement from employment by way of leave encashment is obviously exempt under the provisions of s.10(10-AA). On the other hand, in cases where a resignation is tendered and accepted by cutting short the tenure of an existing job in order to take up a new one, this is not tantamount to retirement from employment as the employee continues to remain in gainful employment, albeit with another employer.

Consequently, upon resignation the leave due encashed at the time of resignation is liable to tax and the first employer would be required to deduct tax at source from the amount paid as encashed leave under s.192 of the Income Tax Act. Thus, retirement has a definite connotation in law and it cannot be confused with resignation.

Likewise, there is a distinction between the words 'termination' and 'retirement.' Termination of service implies that an employee is required to quit his job at the instance of the employer before the normal age of retirement.

Thus, there are different and definite connotations to the words 'retirement,' 'resignation' and 'termination.' Since s.10(10-AA) merely uses the word 'retirement,' it would not be deemed to include the words 'resignation' or 'termination.'

TAX EXEMPTION

In this connection, it would be appropriate to refer to a decision of the Madras high court in the case of *C.I.T. v. R.J. Shahney* (159 I.T.R. 160). In this case, the assessee resigned and retired from employment. During the hearing of the case the court observed that retirement may be of various kinds; it may be on superannuation or it may be voluntary. If there is voluntary retirement from service, the provisions of s.10(10-AA) would apply. This decision supports the view expressed above that leave encashment is exempt from tax only at the time of retirement on reaching the age of superannuation or at the time of voluntary retirement from service or employment for starting one's own business or professional consultancy firm.

If there is no retirement from service or employment, and an employee merely resigns from one job in order to take up another job, such resignation would not fall within the ambit of s.10(10-AA).

'The question which has been raised time and again is whether an employee can claim the exemption under s.10(10-AA) in respect of unutilised leave encashed upon his resignation for the purpose of switching jobs'

While on this subject, it must also be clarified that when an employee receives an amount by way of leave encashment while in service, this is liable to tax as it is an amount which is received by him for the services he has rendered instead of going on leave. In fact, encashment of leave is generally encouraged so that the employer may obtain the benefit of employees' services which otherwise would not be available. Thus, the payment is directly linked with the service rendered by an employee and as such is included within the ambit of the word 'salary.'

On this point of encashment of unutilised leave, it is also pertinent to note that there is a (unreported) decision of the Madras bench of the income tax appellate tribunal in *Tendolkar's Case.* Tendolkar was an employee of Madras Fertilisers Ltd. In this case, the bench considered the amount received by an employee upon retirement and held that such amount was a capital receipt. However, in this decision, it was expressly held that the position would have been entirely different if Tendolkar had received an amount by way of leave encashment while he was in service. Such an amount would be taxable as salary, because it would be directly related to the services rendered by the employee.

After this decision, s.10(10-AA) was brought on the statute book in which it was clearly provided that the amount received by an employee by way of leave encashment would be exempt from tax only if it is received at the time of his retirement on superannuation 'or otherwise.' Hence, the question of exemption would arise only in the circumstances mentioned in s.10(10-AA).

BusinessWorld
July 21—August 3, 1986

Basak gets moving

Although 1986 is the diamond jubilee year of the Federation of Indian Chambers of Commerce and Industry (FICCI), it could well turn out to be the year when the Associated Chambers of Commerce and Industry of India, better known as ASSOCHAM, which has hitherto been content to live in the shadow of FICCI, finally comes into its own. With the recent split in FICCI proving irreparable, its ranks have been severely depleted by the exodus of a large number of its member, considerably eroding its credibility. Consequently, a large number of eyes have inevitably turned to ASSOCHAM to see how easily the mantle of the major spokesman of industry and trade falls on its shoulders. Speculation is rife that most of the chambers which have turned their backs on FICCI are likely to join ASSOCHAM, giving a significant boost to its prestige.

It is at this most crucial juncture that Aroon K. Basak (63) recently joined ASSOCHAM as its first director-general in which capacity he will be its executive head. The appointment of Basak ends a two-year manhunt by the top brass of ASSOCHAM to find a chief executive who would bolster its effectiveness as an apex body for industry and trade. As Basak told *BusinessWorld* recently, "The first initiative was taken way back in 1984 but as I had never included this option of returning to India as part of my career plans, it took some time before I was convinced of its efficacy."

Best man. It is easy to see why Basak, an alumnus of Presidency College, Calcutta and the London School of Economics was considered the best man for the job. A qualified chartered accountant, Basak has 22 years of industry experience having been associated with the Imperial Bank of India, Calcutta Electricity Supply Corporation, Indian Oxygen Ltd. and Indian Cable Co. Ltd. of which he was managing director. In addition, from 1970, Basak worked with the World Bank in Washington which assigned him to the United Nations Industrial Development Organisation (UNIDO) in Vienna where Basak served as director and special advisor to its director general for six years.

In addition — and perhaps more significantly — Basak has some experience of managing indigenous industry organisations having served as a former chairman of the Indian Engineering Association in 1969-70 and having pioneered the setting up of the Indian Cable Makers Association. Indeed, old timers may recall that Basak was instrumental in the moves which culminated in the formation of the Association of Indian Engineering Industries (AIEI) in the early seventies. "I think there were two major factors which persuaded me to return to India after 16 years abroad. The first of course was the major policy changes that have been set in motion by the Central government recently. And secondly the conviction that here is an opportunity to contribute my mite to the process of India's economic development," says Basak. It is a telling measure of his sincerity that Basak has refused to accept any remuneration as director-general of ASSOCHAM.

Basak: contribution compulsion

In the short span of four weeks that he has been in office, Basak has already galvanised the normally somnolent ASSOCHAM office in New Delhi. "My first major initiative has been to suggest the setting up of three task forces by ASSOCHAM. While the first will be on plan implementation by the private sector, the other two will be on exports, and restructuring and frontier technology. It will be the duty of these task forces to identify areas of national concern, and to serve as action-oriented think tanks," says Basak who believes that it is time industry gave up its "reactive stance" on government policy.

Perhaps the biggest challenge that faces Basak in this context is the total revamping of the ASSOCHAM directorate which is short-staffed and poorly motivated. "As you know, ASSOCHAM survives on a shoe-string budget. Despite this, I plan to overhaul the whole organisation structure to make it function faster and more efficiently. We must do our homework faster than government if we are to be taken seriously," says Basak.

Invaluable stints. Among the new initiatives proposed by Basak is the induction of key executives into ASSOCHAM from member companies for well-defined periods of time, an idea which has captured the imagination of constituent members. "As it is rather difficult to ensure a proper career progression for everybody, I thought a stint at ASSOCHAM would prove invaluable to an executive uninitiated in the ways of government," explains Basak. Further, as any of the numerous brain-storming sessions held by ASSOCHAM are only as good as the secretariat's pre and post-session work, it is expected that the number of "resource persons" at Basak's disposal will soon be virtually double.

In addition, the use of outside experts and the setting up of a computerised data centre, which will enable periodic monitoring of industry's performance as well as the creation of a data base of global dimensions are also on the drawing board.

And ever since Basak has been making the rounds in New Delhi, official circles have been sitting up and noticing the fresh impetus that ASSOCHAM has received. "The Seventh Plan and the attitude of the government has given the private sector a unique opportunity to prove its mettle — an opportunity that must not be missed," says Basak.

The possibilities are equally exciting for ASSOCHAM which it if seizes the initiative could emerge as the undisputed voice of Indian industry. The enlistment of Basak is an excellent first step in that direction.

ANAND P. RAMAN IN NEW DELHI

Barooah's market debut

The tea industry in India is one characterised by violent price fluctuations, especially in the lucrative international market in which prices are currently bearish. One company within the industry, however, is highly bullish about its future, *viz.* the Guwahati-based B&A Plantations and Industries Ltd.

Barooah: bright future

(sales: Rs. 4.16 crores in the year ended 31st March 1985).

This closely held company recently went public with a linked issue which opened for subscription on 14th July. On offer were 4,00,000 equity shares of Rs. 10 each at a premium of Rs. 6 per share, linked with one lakh 15% secured redeemable non-convertible debentures of Rs. 100 to raise Rs. 1.4 crores. Under the terms of the issue one non-convertible debenture (Rs. 100 paid up) at par will be required to be purchased for every five equity shares applied for.

The issue marks the dilution of the promoter family's shareholding to 51% from 95% and the proceeds thereof will go towards meeting the company's working capital needs and capital expenditure, and will qualify the company's shares for listing on recognised stock exchanges.

Excellent reputation. "Currently B&A Plantations owns four prime tea gardens in the best tea growing areas of Assam and employs about 3,000 people. All the four tea gardens have built up an excellent reputation in India, UK and Europe and has a virtual captive market in Ireland. We are now engaged in a yield and quality enhancement programme, under which our low yielding gardens will be uprooted and replanted over the next three years at a cost of about Rs. 1.5 crores," says Hemendra Prasad Barooah (60), the Harvard Business School-educated chairman and managing director of the company. As a consequence of this extensive programme, within the next two years, the company's tea production will rise from the current level of 2 million kg to 2.50 million kg by March 1988. The company's exports currently contribute about 16% of its sales revenue.

While the gloom in the Indian tea industry is due to the current poor overseas demand, Barooah believes that cyclical changes are very much a part of the tea trade. He is therefore not unduly worried about the future. "Even in 1982-83 when tea companies were making losses, B&A Plantations was busy with extensive replanting and this move has begun paying dividends now in the form of high yields of quality tea," says Barooah.

This is evident from the company's sales performance. During the recently concluded financial year ending 31st March, the company's sales turnover is expected to touch the higher level of Rs. 6 crores *cf.* Rs. 4.6 crores in 1984-85. The company has been paying 30% dividend over the past two years and has already declared a 15% interim dividend for 1985-86. Barooah is confident of maintaining this dividend in the future, even after the public issue.

"The future of both B&A Plantations and the tea industry as a whole is bright," says Barooah. "Given that the rate of consumption of tea in India is rising by 20 million kg per year and there is a healthy demand trend in the international market, in the long run the tea industry is very likely to exceed the production target set by the government of increasing production from the current level of 600 million kg to over 1,200 million kg by the end of this century."

Little wonder that at a time when equity values are on the retreat, Barooah has come to the market with a premium of Rs. 6 per equity share.

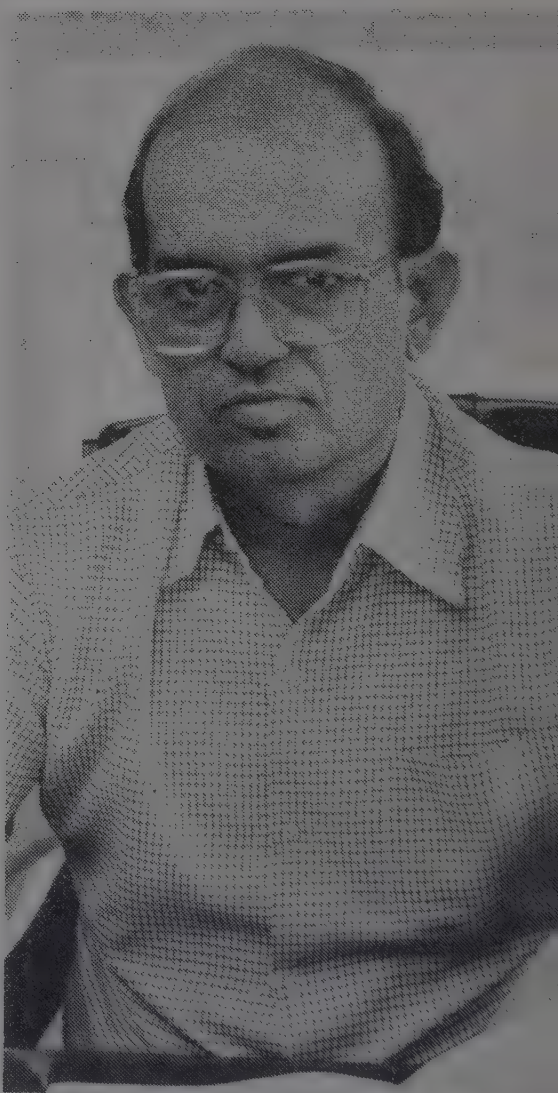
SIMA BHATTACHARYA IN BOMBAY

Chowdhury takes charge

Managers are a typically individualistic lot, apart from the characteristic that they are proverbially busy most of the time. As a consequence, voluntary associations of managers rarely project the kind of image which some of their high profile members do. Happily, there are exceptions — and the Calcutta Management Association (CMA — promoted in 1958), which boasts 159 corporate and 993 individual members, is one. "If CMA is a lively and active forum, the credit is entirely due to members — not forgetting the corpor members — who have spared no me time and effort to make its programme success," says J.P. Chowdhury (46), w took over as president for the year 19 87 at CMA's annual general meeting h on 24th June.

During the year ended 31st Mar 1986, CMA organised as many as 25 ma agement seminars, held 33 tea meetin for members, screened 14 films and r one in-company training programn apart from organising a highly success conference (see 'CMA cerebration' B March 31-April 13, 1986 p.17). Als CMA has broken new ground by setting an innovative Entrepreneurship D velopment Centre "to help managers d velop an entrepreneurial attitude," Chowdhury puts it. Last March-Apr the Centre set the ball rolling and co ducted a maiden eight week programm During the year, CMA also bought ar installed a personal computer. Sa Chowdhury: "We shall run regul courses on the applications of compute in business and industry. This is pursuance of CMA's considered policy pushing the concept of computer aide management in a big way."

Chowdhury: new ground



New thrust. Chowdhury is all too aware that he cannot afford to let the grass grow under his feet during his term as CMA president, and that the momentum of the association's several activities will have to be maintained. This year, he hopes to impart a new thrust and add a new dimension to the scope of the CMA's activities. "We want to do some constructive work in areas relating to the management of public utilities," explains Chowdhury. "The idea is to introduce management concepts in the running of these utilities. To start with, we intend conducting a comprehensive study of the garbage disposal problem and develop implementable strategies based on industrial engineering concepts. Once we have done so, we will try and persuade the authorities to put these into practice," he adds.

What are the factors which explain the CMA's relative success? According to Chowdhury, the association offers its members the opportunity of becoming "better managers" by being *inter alia* "more up-to-date with what is going on in the management world." Obviously, CMA offers no training in basics. What it does provide, emphasises Chowdhury, is a convenient window to contemporary managerial thinking and concepts — a facility which should help mould better decision makers and problem solvers.

Chowdhury firmly believes that the nation's suppressed entrepreneurial genius has to be aroused, particularly if the current unenviable unemployment situation is to be improved. "I certainly want to encourage young managers to take up the challenge of proving their mettle as entrepreneurs," he says. And in this regard, Chowdhury is one person who should know what he is talking about.

Five years ago, he chucked his job as chief executive of a medium sized engineering firm in Calcutta and took over a sick unit under liquidation. The dramatic resurrection of this loss and debt-saddled unit — since re-born as Titagarh Steels Ltd. (estimated sales: Rs. 10 crores in 1986) — has already been reported in these columns (see *BW* November 11-24, 1985,p.59). As managing director of Titagarh Steels, Chowdhury has been the main architect of the turnaround of the company.

Already, there is evidence that the vim and vigour which is part of Chowdhury's management style is being canalised into the CMA by its new president. And judging by Chowdhury's track record, there is every prospect that the CMA's performance will match its promise.

SUJOY GUPTA IN CALCUTTA

A safe bet

In a rare show of corporate unity, 25 companies based in Madras, Bangalore, Coimbatore, Madurai and some other southern towns have joined hands and heads to promote a new financial institution — The South Asian Financial Exchange Ltd. (SAFE). The companies include such private sector heavyweights as Amalgamations Ltd. (Simpson group); A.V. Thomas; Lakshmi Machine Works; Rane Madras; Sundaram Fasteners; Tube Investments of India; the W.S. Insulators group; Best & Crompton; Loyal Textiles Ltd. and the Chemplast group among others.

Lakshminarayanan: cooperative venture

Elaborates G. Lakshminarayanan (70), chairman of SAFE and former chairman of Indian Bank: "All these companies put together have a combined turnover exceeding Rs. 2,300 crores, an investment in fixed assets of Rs. 877 crores and a net worth of Rs. 529 crores. The lines of businesses of the member companies cover a wide spectrum. Thus this new company has the strength and backing of the promoter group of companies for its start-up and continued operation. Further, what is unique about this venture," continues Lakshminarayanan, "is that it is a cooperative venture, conceived, initiated and executed by a number of companies."

Ambitious plans. The SAFE idea was mooted about 18 months ago, and over a series of meetings the idea of a cooperative venture emerged. The concept of a large all-India financial institution backed by a number of companies appealed to those initially involved and subsequently inducted. And thus SAFE was born.

Given the kind of backing that SAFE has, it is no surprise that its plans are commensurately ambitious. Says Lakshminarayanan: "As per our present business plans, we intend building up the capacity to raise funds to the order of over Rs. 100 crores in the next five years or so. According to the projected working results, there is even a possibility of a double-digit return in the very first year of operations," he adds.

To this end, SAFE will be offering a wide range of financial services and intends entering the businesses of financing and financial services such as industrial financing, hire purchase and cross-border leasing. "This is increasingly being talked about but hardly anything has been done about it," says Lakshminarayanan. Acting as financial consultants, producers, registrars, merchant bankers, property financiers, acceptance house, money managers, etc., despite the fact that a few member companies of SAFE have their own finance companies, should not be a problem because SAFE offers a much wider range of services. Therefore, contends Lakshminarayanan, the problem of conflicting interests is unlikely to arise.

"The fact that so many companies with well known and respected corporate names have joined together, will definitely enhance its credibility in the minds of the public and the relevant institutions. However, this does not mean that this company has been promoted merely for the benefit of the members." Lakshminarayanan stresses that no special benefits will accrue to them directly. "On the other hand, SAFE will derive a lot of benefits from its promoter companies besides which such a large private sector financial institution could help boost trade and industrial activity. The stress will be on innovations, both financial and others," says Lakshminarayanan.

Wider range. So as to be able to offer a range of services, SAFE has also entered into a memorandum of understanding with the Elders Finance Group (part of Elders IXL), Australia, for management, financial and advisory support. Elders is not just a financial company, it is also one of the largest and fastest growing companies in Australia with a turnover of A.$7 billion (Rs. 5,810 crores) in 1985. It promotes not only financial activities but also trade activities and has offices all over South-east Asia, Europe and USA. "We are quite happy to have clinched a tie-up with the Elders group. Most finan-

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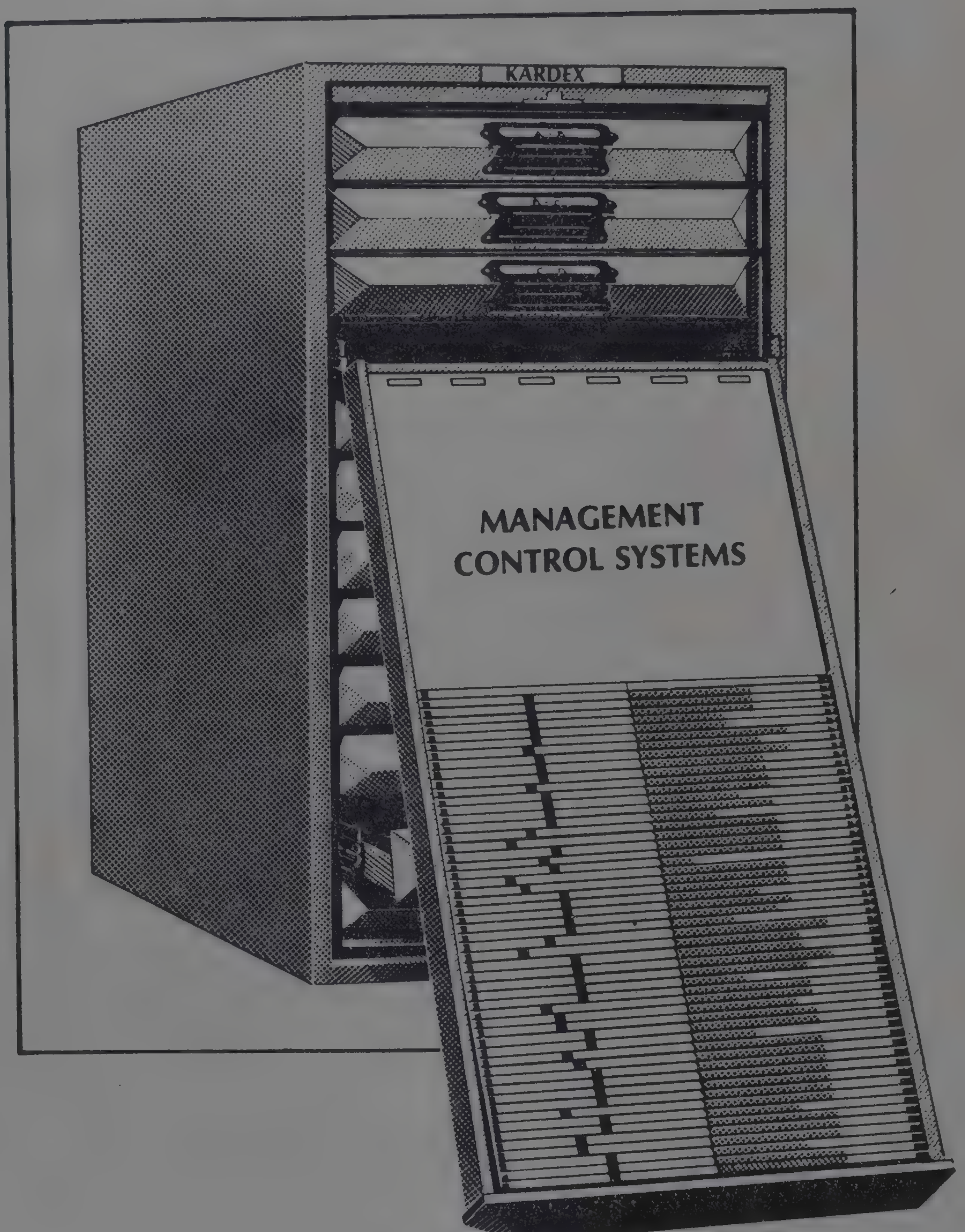

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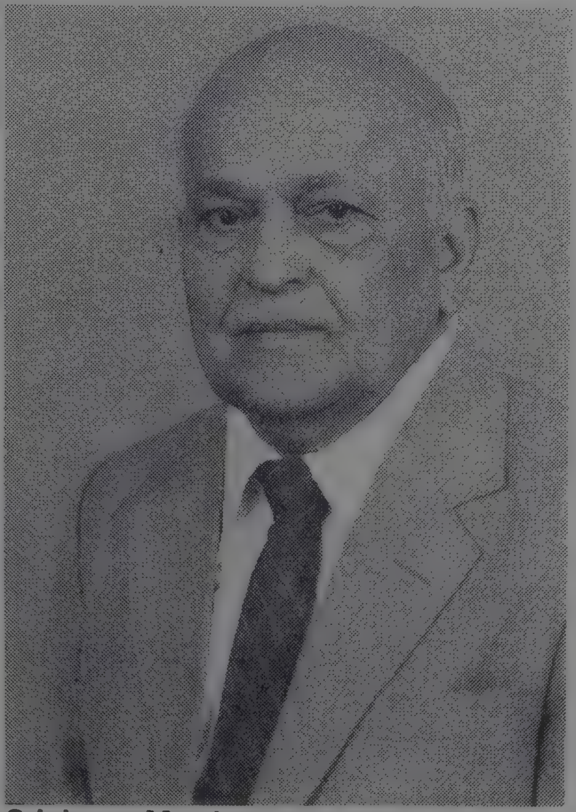
cial tie-ups by Indian companies have so far been in the sphere of merchant banking. But Elders is a different kind of an organisation and the tie-up covers a much wider range of activities. Elders has also agreed, in principle, to hold a 10% equity stake in SAFE, subject of course, to the necessary government approval," concludes Lakshminarayanan.

SAFE intends entering the capital market in the next few months, most probably in September. Out of the total issue of Rs. 5 crores, the promoters will subscribe to equity valued at Rs. 2 crores and the balance will be offered to the public. Given the multi-corporate pedigree of SAFE, the investor is likely to consider the company a safe bet.

CHANDU NAIR IN MADRAS

BSE's new chief


Srinivasa Murthy: no subtle motive

"I welcome the recent ban on conversion of non-convertible debentures into equity — it will curb speculation in debentures. No doubt the decision has adversely affected the debentures market, but I see that as a temporary phenomenon which will pass soon," says L.K. Srinivasa Murthy (67), the new (since 31st April) president of the Bangalore stock exchange.

Neither does Murthy sees any subtle motive in the reported move to transfer control over capital issues from the Union finance ministry to the Union industry ministry, on the heels of the finance ministry's decision to ban conversion of non-convertible debentures, a decision since endorsed by the political affairs committee of the Union cabinet. "The finance and industry ministries have, in any case, necessarily to interact closely as far as capital issues are concerned. I presume the heavy workload within the finance ministry has prompted the reported shift," says Murthy.

A veteran stockbroker and a partner in the Bangalore-based firm L.K.S. Murthy & Co., Murthy is more concerned over the proliferation of unauthorised brokers in the wake of this year's equity boom. "The press can play a major role in cautioning the investor public against entering into transactions with unrecognised brokers. Only members of recognised stock exchanges who are required to maintain a security deposit with an exchange and are subject to its rules and regulations, are answerable to the exchange authorities in case a dispute arises. Newspaper establishments or any private agency or entrepreneur can also help the rural investor by making official stock quotations quickly available to him. In fact, a daily stock quotation sheet, cheaply sold, can become quite a profitable proposition considering that companies going public will be only too ready to advertise in it. Many Bangalore brokers are now contemplating holding seminars and appointing agents in *mofussil* towns to mobilise investment in shares and stocks."

Commensurate expansion. In Karnataka, observes Murthy, the percentage of investors in listed securities has grown from a mere 0.05% of the population in 1957 to about 3%-4% currently. Consequently, the activities of the Bangalore stock exchange, established as an association in 1957 and converted into a public sector company in 1963 following Union government recognition, have expanded commensurately. The exchange today has 36 members representing 29 brokerage firms. Twenty new members are to be inducted shortly, followed by 20 more, representing professionals such as chartered and cost accountants, company secretaries and business management graduates. The exchange has about 225 companies on its list. In relation to the response to new issues, it has a slight edge over the bigger Madras exchange, and by way of turnover — Rs. 1 crore per month — is on a par with it.

"Efforts are being made to link the Bangalore exchange with the other major exchanges in the country via satellite so that the communication of stock quotations, currently made through news agencies such as PTI and UNI, is accelerated. This is part of the Union government's endeavour to curb trading

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beyond official trading hours, which are between 12 noon and 3 pm in all exchanges in the country," says Murthy.

The Bangalore exchange has introduced the system of a weekly settlement of members' transactions, and is experimenting with a computer, incidentally owned by Murthy's firm, to consolidate and match, wherever possible, buying and selling orders for odd lots of shares and miscellaneous scrips. "If the system works, we may consider installing a computer in the exchange for handling all transactions," says Murthy.

Murthy is of the opinion that corporate managements should not restrict the listing of their shares to one exchange. "An exchange can justify its existence only by serving the interests of the investor public and of the companies that receive investments. Any company listed with any particular exchange in the country should be listed with all other exchanges." So far as the Bangalore exchange is concerned, the point seems to have been made, with quite a few companies from outside Karnataka already on its list and many more waiting in the queue.

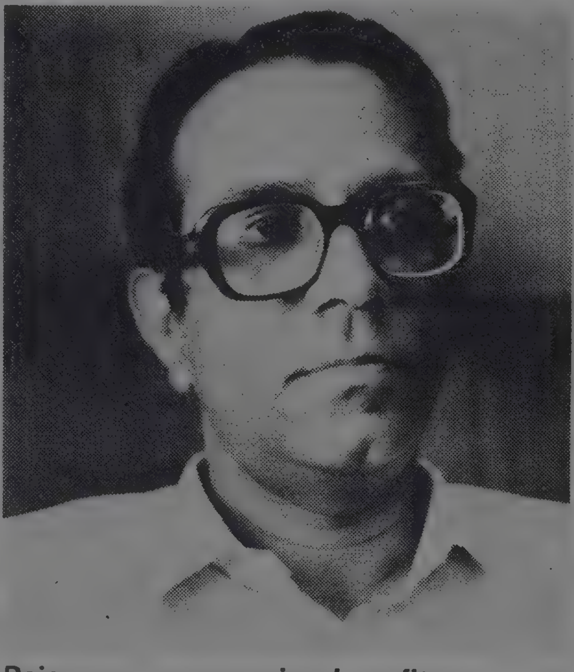
N. RAGHAVAN IN BANGALORE

India Cements' chief

With the dust of the tussle for its control having settled, it is business as usual in India Cements Ltd. (ICL — sales: Rs. 138.67 crores in the year ended 31st March, 1986) the Madras-based cement manufacturer and one of the largest in south India. The struggle for control, it may be recalled, witnessed the ouster of the original promoters — the Narayanan group whose flagship company is the Madras-based Chemicals & Plastics Ltd. (Chemplast) — in a takeover bid by the Calcutta-based cigarettes and hotels giant ITC Ltd. in 1982 which fell through in a year or so, as well as a fair amount of backstage intrigue in the months preceding the retirement of the erstwhile managing director T.M. Thomas.

With the financial institutions having firmly decided to (continue to) retain their hold over the company and the consequent appointment of P.V. Rajaraman (42), an IAS officer, as the managing director of the company with effect from 14th March, the curtain seems to have been rung down on the events of the recent past. Informal yet reliable reports suggest that the promoter group, which increased its consolidated shareholding from a measly 1% to over 10% in four years, has been maintaining a low profile, though a not inconsiderable amount of heartburning has been caused by its failure to wrest control of ICL, whose turnover is substantially more than the combined turnover of the entire Chemplast group of companies.

Modernisation plan. So, it's now 'on-with-the-show-boys' time at ICL. Recently the company's Rs. 93 crore modernisation plan for the Sankarnagar factory received final clearance from IDBI and the World Bank. Elaborates Rajaraman: "The World Bank has made available $200 million (Rs. 240 crores) to the government of India for the modernisation of six cement plants in the country — and the Sankarnagar factory is one of them. The project envisages the replacement of the existing four wet process kilns by a 3,000 tonne per day (TPD) precalciner dry process kiln adopting the latest technology. As a consequence the factory will not only be modernised but will also increase its capacity from the existing 2,200 TPA."



Rajaraman: conversion benefits

According to Rajaraman this conversion (from the wet to the dry process) will benefit ICL in several ways. A 40% saving in coal intake, which constitutes about 30% of the cost of production and is the single biggest item of expenditure, is the most prominent benefit. "Further, the government has announced that 'converted' (to dry process) plants would be treated on par with 'new' units for the purpose of determining the levy quota, which makes the conversion to the dry process even more attractive, he says."

In addition, the ICL management has also been making a sustained effort to modernise its factories and has incurred a capital expenditure of Rs. 12 crores in 1985-86 towards modernisation, rehabilitation and pollution contro schemes. It has also engaged the service of Blue Circle Industries plc, UK, to conduct a technical audit of one of it factories for improving productivity. A the same time, attempts are being mad to reduce costs through improvements i the areas of process controls, materia substitution enhanced material productivity, better input-output ratios, etc.

As a result, the operational performance of ICL in 1985-86 despite increasin competitiveness in the cement industry was satisfactory. Though the productio of cement at 1.31 million tonnes in 1985-86 was lower than the 1.38 million production of 1984-85, capacity utilisation a 94% compared favourably with the national industry average of 78% and 89% for the cement industry in Tamil Nadu. The company's sales turnover increased from Rs. 125.81 crores in 1984-85 to Rs. 138.67 crores in 1985-86 while profit after tax for the same period increased to Rs. 5.50 crores from Rs. 4.32 crores largely because of a lower tax liability. According to company sources, the marginally lower production was due partly to inadequate coal supplies and irregularities in power supply.

Insignificant improvement. Not that infrastructural deficiencies have improved significantly. "In the first quarter (April-June) of the current year, coal was available on a hand-to-mouth basis. Nevertheless the situation is better compared to last year when we lost production due to complete non-availability of coal. In the current year we hope to raise production to 1.4 million tonnes, and in 1989-90 installed capacity will go up to 1.6 million tonnes from the current 1.39 million tonnes following the completion of the Sankarnagar project," says Rajaraman.

The prospect of intensified competition in the marketplace for cement does not seem to faze Rajaraman. "The capacity that exists currently is more than demand. But the free availability of cement today is a welcome trend because quality awareness has sharpened because of increasing competition and the customer has a choice. We are quite confident however that our cement enjoys a good brand image in south India, particularly in Tamil Nadu, Kerala and to a lesser extent, in Karnataka. Our marketing strategy, taking into account the changing market conditions, has been revamped, with the major thrust being at consolidating our position in the southern markets where we have already established a reputation," he says.

CHANDU NAIR IN MADRAS

BusinessWorld
July 21—August 3, 1986

Managing power

DHARNI P. SINHA

Recently, I met the chief executive of a large company who, I recollect, experienced all the excitement in the world some years ago while planning a rapid turnaround of his company. But after putting in three years of hard work he was bitter. His complaint was that he had succeeded in doing very little because although he was the chief executive, he was powerless. All the organisational change initiated by him had been neutralised by 'powerful' subordinates who had vested interests in perpetuating the status quo which offered them security but nurtured inefficiency. Yet, a chief executive who is the repository of organisational power but is powerless is not an uncommon phenomenon in Indian industry.

Power can be a positive force. On the other hand, power can also be a counter-force used to prevent things from happening. Therefore, it is very important for managers to understand the uses of power as it is also important to understand and experience powerlessness. It is only through understanding both that one can manage power, i.e. to decrease the feeling of powerlessness and increase the feeling of being empowered.

EXERCISE OF POWER

Some years ago, I attended an interesting meeting of the board of directors of an engineering company based in Bombay. The board was discussing a plan of diversification which generated a lot of heat. After almost an hour and a half of infructuous discussion, I heard a bang on the table. The chairman said: "Gentlemen, we have had enough of discussion. We will take up the issue at the next meeting." The chairman had exercised power, the power arising out of his formal authority.

More recently, I attended a meeting of the management team of a hi-tech company, which was held to discuss the choice of technology for its new project. The objective was to select the most appropriate technology. From the discussion it appeared that the West German technology was considered the most advanced one; the Italian was the most proven one while the Japanese was the third best. Everyone argued for either the German or the Italian technology; however, a young executive argued for the Japanese technology. While it was the third best, he submitted, it was nevertheless the most appropriate for India, partly because the technology offered was a complete package and partly because its end product would be better suited to the Indian environment and economy. Listening to the young executive, the board decided that his argument was the best. I wondered how this young man, way down in the hierarchy, had wielded the power to influence the decision of the board. Certainly it was not due to authority and position; it was due to his knowledge, understanding and logic.

A third insight into the manner in which power is exercised was obtained even more recently when I was involved in a major exercise of organisation development in a pharmaceutical company. In its top team, everyone thought he was the prima donna and that it was because of him the company was performing. There was discernible antagonism between the manufacturing and marketing departments, between the finance and marketing departments and between the various functional heads. The chairman engaged in fire-fighting operations until he recruited a personnel director who, in a few months' time, emerged as the focal point for dealing with functional chiefs. He was accepted as their counsellor and interpersonal problem-solver and gradually became the most influential and powerful person in the organisation. Yet he had neither the power of authority in, nor the power of knowledge of the pharmaceutical industry. But he undoubtedly had man management skills.

POWER ORIENTATION

To understand an executive's power profile, one should examine his organisational position and power orientation. In an organisation, in terms of organisational positioning, an executive is either 'in' or 'out.' Those 'in' are those who understand and accept the organisational purpose and who use their energies to further organisational growth. Those 'out' are deviants; dissenters who wait and watch, as if positioned on the periphery of the organisation. On another axis, in terms of power orientation, an executive can be seen as powerful or powerless. The powerful are those who make things happen. The powerless are those who are helpless onlookers in the organisation.

A further analysis of organisational power equations and the manner in which corporate power is exercised in Indian industry indicates that all managers can be categorised as (i) powerless-out; (ii) powerful-out; (iii) powerless-in; and (iv) powerful-in.

> **'Power can be a positive force. On the other hand, power can also be a counter-force used to prevent things from happening. Therefore, it is very important for managers to understand the uses of power as it is also important to understand and experience powerlessness. It is only through understanding both that one can manage power**

From this point of view of organisation power, the powerless-out are those executives who have withdrawn and have all but resigned. They continue to register a token presence but they cannot deal with their own anger and frustration. They are listless, lacking energy and counting time. The powerful-out or rebel executives are deviants and militants, aggressive and destructive, who use power negatively for blocking proposals and ideas, for reversal rather than growth.

The powerless-in are those who remain within an organisation, but have no control over their own fate or that of the organisation. They are happy with any status quo. Most Indian supervisors and middle managers fall into this category; they are like Trisanku, the mythical Hindu character who was neither in this world, nor in the other, but hanging in mid-air.

The powerful-in are in effective control of their own destiny and that of the organisation. They generate energy and use it for positive purposes. High performance organisations have many executives who are powerful-in. These are empowered executives.

Being powerless (in or out) in Indian corporate organisations is not the exclusive fate of executives down the hierarchy. Just

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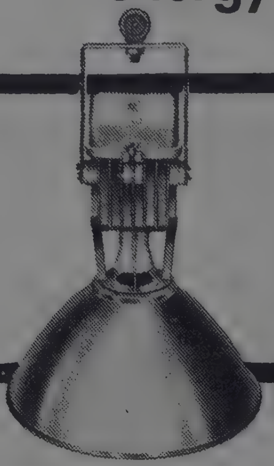

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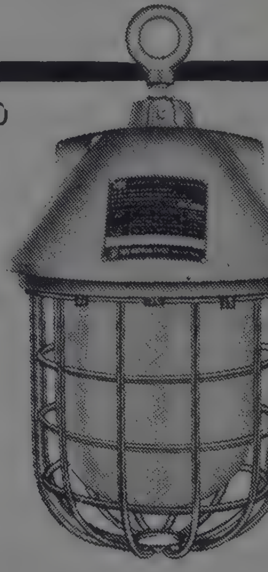

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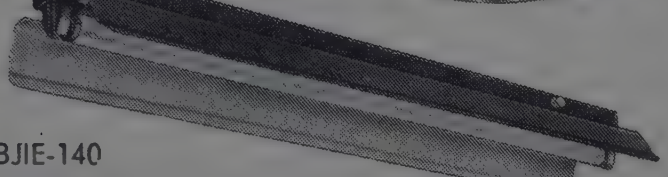

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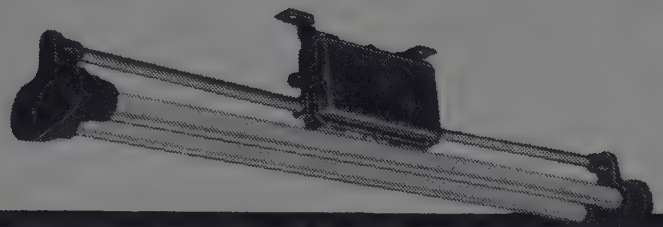

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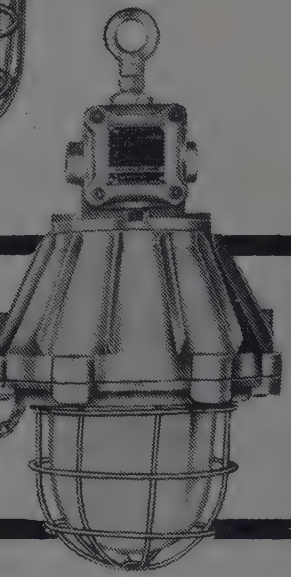

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because an executive has formal authority does not necessarily mean he has power over others. Subordinates are often powerful-in and in a position to make their bosses powerless. In addition, an inhospitable environment generates powerlessness which feeds upon itself.

In a low performance company, widespread powerlessness is a common experience. In one such company I interviewed people at random in different divisions and at different levels of the hierarchy. The workers felt powerless and their frustration generated aggression. Supervisors also experienced powerlessness because they could influence neither the workers nor their superiors. Managers felt powerlessness and expressed it by blaming each other for the poor performance of the company. The chief executive was the epitome of powerlessness: He felt more powerless than most others in the organisation.

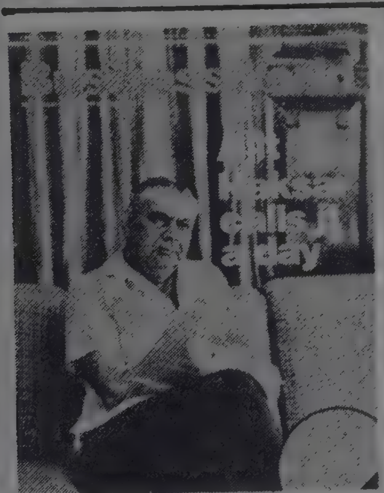
ENERGY SOURCE

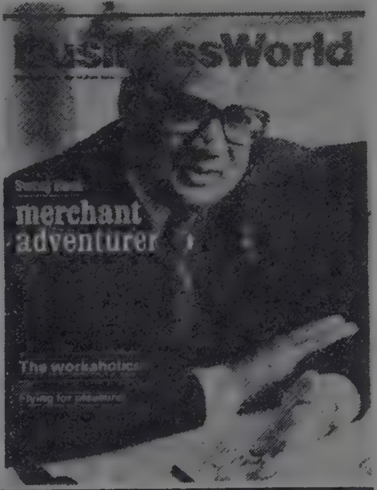
On the other hand, in another organisation which I studied at close quarters, most of the employees felt powerful as a consequence of which the organisation was always on the ball. Workers were excited about their jobs, supervisors were proud of their workers and the company. Executives were always looking for innovations and ways and means to improve productivity while the chief executive saw the sky as the limit. The experience of power had created an unusual source of energy in the company and everybody was charged with it. Morale and motivation were high, communications were open, there was a climate of trust and the performance showed spiralling growth.

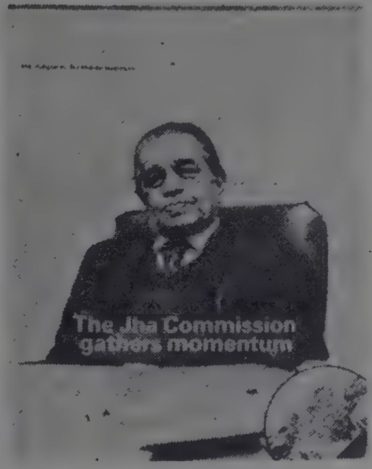
An effective executive has to understand and accept the reality of power, and the power of powerfulness. Power is a managerial tool. It can be used for growth; it can be used regressively. The choice of to what use to put it, is with the executive. But it is also useful to remember that organisational power maps are as much a guide for growth as a trap. Over-reliance or under-reliance on power maps could make one ultimately powerless. To manage power, one must understand power and learn how to wield it.

Given below are some basic facts that executives need to know to manage power: (i) Power and powerlessness are an organisational reality. An executive can choose to ignore this reality or deal with it; (ii) An executive who has a heightened awareness of the uses of power is more likely to deal with it effectively than one who is ignorant about its uses; (iii) Power can be acquired in multiple ways, through organisational authority, through knowledge and expertise and/or through personal skills. The most powerful executives derive their power from these three sources; (iv) Managing power requires empowering others; infusing others with power and hence energy and action; (v) Organisations which create a culture of empowering others are self-correcting; organisations which create conditions for powerlessness are destined to fail.

Summing up, executives who effectively manage power in an organisation, generate considerable creative energy which is a prerequisite of organisational excellence. Managing power and empowering people to achieve are the hall-marks of successful organisations.







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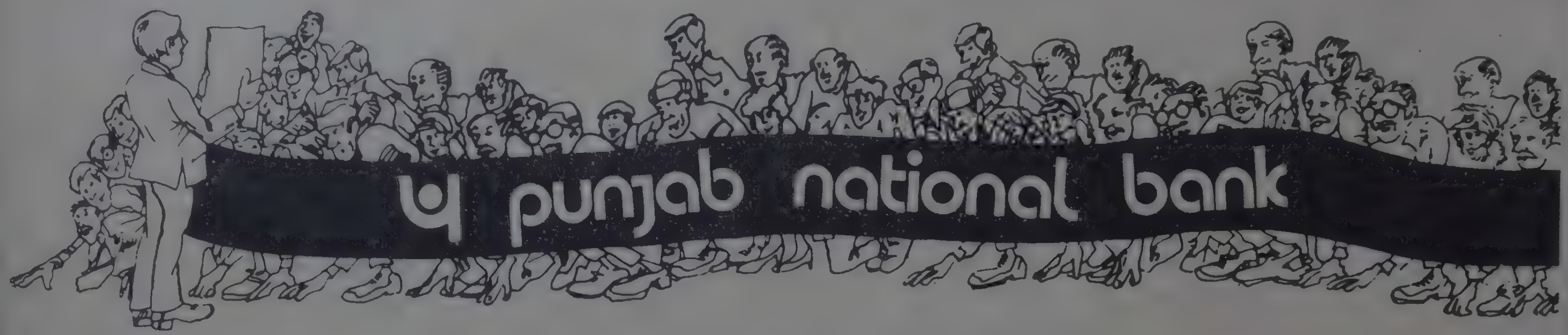

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STATEMENT OF POSITION

31st December, 1984		LIABILITIES	31st December, 1985	
	10,00,00,000	Capital : Paid up Capital		48,00,00,000
	27,70,22,000	Reserve Fund etc.		35,20,22,000
	5122,19,21,512	Deposits and other Accounts		6312,75,55,031
	303,21,96,726	Borrowings from Banks & Agents etc.		350,13,53,443
	73,93,00,911	Bills Payable		59,49,89,498
	332,13,99,303	Bills of Collection per contra		424,91,30,461
	123,66,33,534	Other Liabilities		69,42,42,268
	489,41,09,258	Acceptances, Endorsements etc. per contra		632,24,88,593
		PROFIT & LOSS ACCOUNT		
1,10,00,994		Balance as per last Balance Sheet	56,18,294	
1,10,00,994		Less: Transferred to Central Government	56,18,294	
NIL			NIL	
9,01,18,294		Profit for the year	12,00,00,000	
		Less : Transferred to:		
2,40,00,000		(i) Statutory Reserve Fund	3,00,00,000	
4,00,00,000		(ii) Special Reserve	4,50,00,000	
2,05,00,000		(iii) Provision for Bonus to staff	4,00,00,000	
8,45,00,000			11,50,00,000	
	56,18,294	**Balance to be transferred to Central Government**		50,00,000
	6482,82,01,538			7932,67,81,294
		ASSETS		
	789,95,28,138	Cash in Hand and with Banks		909,25,56,978
	3,94,19,463	Money at Call & Short Notice		103,96,14,583
	1607,45,40,808	Investments		2210,49,24,318
	2962,17,88,068	Advances		3359,30,70,850
	332,13,99,303	Bills for Collection per contra		424,91,30,461
	489,41,09,258	Acceptances, Endorsements etc. per contra		632,24,88,593
	21,66,17,208	Premises		24,85,06,005
	28,77,09,843	Furniture & Fixture		33,89,88,386
	247,28,19,196	Other Assets		233,72,33,357
	2,70,253	Non-Banking Assets		2,67,763
	6482,82,01,538			7932,67,81,294

BusinessWorld
July 21—August 3, 1986

Pharmacist

The experience of confrontation with disease which inevitably invokes fear and anxiety as one watches the human body waste away also reveals the helplessness of the human condition. The primitive shaman and the priest projected illness as a play of evil forces, and battled these forces with elaborate rituals of exorcism.

But though the first rational basis for the practice of healing was provided by the Greek physician Hippocrates—who insisted on seeking physiological explanations for the treatment of diseases instead of relying on supernatural agents — nearly two and a half millenia ago, the legacy of unfounded superstition regarding human ailments continued to trail the evolution of medicine for a long time. However, by the beginning of the nineteenth century, the physicians' technique of investigating disease had acquired a sufficiently scientific temper.

And it was about this time that the physician who had till then combined the twin roles of diagnosis as well as that of preparation of medicines, began to leave the latter function to another professional — the pharmacist. The establishment of the American Pharmaceutical Association in 1852 finally distinguished the profession of pharmacy from that of medicine.

Specialised science. Today pharmacy is a full-grown profession concerned with the preparation of drugs and formulations from natural or synthetic sources for the treatment and prevention of diseases. "A pharmacist is expected to be knowledgeable about the preparation, analysis, pharmacologic action and the preservation of drugs and medicines," says Professor Sadhan Dutta, head of the department of pharmacy at Calcutta's Jadavpur University. "Given the sophistication of the modern techniques of drug development in the laboratory and its large-scale industrial manufacture, expertise on different aspects of drugs and drug development can be provided only by the specialised educational programme that is the science of pharmacy," he adds.

Towards the early part of this century when India was in its initial phase of modernisation, the practice of dispensing medicine was lost in a welter of ancient, esoteric and often spurious rituals which were believed to be efficacious remedies for curing ailments. The systematic study of pharmacy was first ushered in with the founding of a department of pharmacy at the Benaras Hindu University in 1932. Since then, numerous other institutions have opened their own schools of pharmacy. Of these some of the well-known ones are Jadavpur University (Calcutta), Waltair University (Andhra Pradesh), Birla Institute of Technology and Sciences (Pilani), University of Saugar and Nagpur University (Madhya Pradesh) and Punjab University. And recently there has been a marked surge in the number of pharmacy programmes in universities in Gujarat, Maharashtra and Karnataka where a large number of pharmaceutical units are also located.

Admission to the undergraduate programme through the general selection examination conducted by each institution requires a knowledge of basic physics, chemistry and mathematics as taught at the school leaving examination level. The main subject in the pharmacy curriculum is chemistry, which is taught in various segments such as pharmacology (chemistry of drug action), toxicology (chemistry of toxic substances), applied bio-chemistry of micro-organisms, medical chemistry and phytochemistry. A knowledge of physics and mathematics is also necessary to understand biopharmaceutics, which deals with theoretical studies relating to the dispersion of drugs in the human body. The curriculum is rounded off with courses on industrial pharmacy.

> **'Today pharmacy is a full-grown profession concerned with the preparation of drugs and formulations from natural or synthetic sources for the treatment and prevention of diseases'**

A pharmacy graduate has the option of proceeding for higher studies either in this country or abroad. Alternatively, he may be absorbed by the pharmaceutical industry or by governmental (Central or state) laboratories or inspection agencies. Other government organisations such as the Central Drug Standard Control Organisation (CDSCO) and Development Council for Drugs and Pharmaceuticals (DCDP) also need experienced pharmacists for their policy-making cells for monitoring quality control in the drug industry.

At the beginning of his career a pharmacist who usually starts as a chemist is likely to earn an initial salary of about Rs. 1,200 per month. For the ambitious, promotions are not difficult to achieve and those with competence and ability may eventually command any position in the corporate hierarchy and earn a salary of Rs. 3,000-4,000 per month. In addition to these corporate sector managerial avenues, a pharmacist may be employed in the various departments of defence organisations which maintain their own laboratories.

Enhanced chances. Pharmaceutical companies tend to recruit chemistry graduates for their pharmacy departments since their educational backgrounds correspond closely to the chemistry-oriented pharmacy curriculum. However, the chances of the pharmacy student being absorbed readily in industry are enhanced once he obtains a specialised academic training at the postgraduate level in any one of the topics of pharmacy: immunology (for vaccine research), pharmacology (for clinical tests of new drugs on animal or human subjects), pharmacokinetics (for identifying drug behaviour within the human body), or pharmaceutical engineering (the science of devising physical methods of delivering a drug within the human body such as intravenous, oral, intra-muscular, etc.).

Modern day pharmacists also play a pivotal role in the evolution of drugs and formulations. Research and development constitutes a large chunk of a pharmacist's job and in his research projects a pharmacist is involved in synthesising new drug entities and also identifying naturally available agents which have potential medicinal use. In the developmental stage which follows, it is the pharmacist who has to decide on the best medium (tablets, capsules, syrups, gels, etc.) in which the new drug may be administered and to find a proper method for its large scale manufacture. In the next stage — the subsequent production of drugs and formulations — a pharmacist plays a vital role since he is required to supervise technical processes.

A nation's awareness of hygienic standards and the degree of health care available to its people are indirect indices of its development. In recent times, there has been a rapid expansion in the capacity of the pharmaceutical industry in India, no doubt in response to the need for a greater dissemination of medical facilities. "Given the government's promise of health for all by the year 2000, those associated with health care are likely to be in the forefront of the development effort and the role of the pharmacist will be crucial to ensure a better standard of health care for the country's citizenry and to impart health education," says Dutta, quoted earlier.

Sandip Ray

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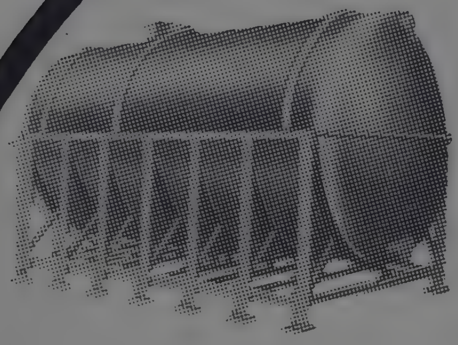
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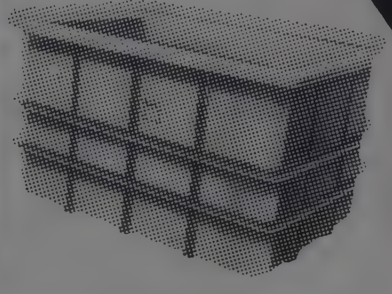
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Visionary pharmacist

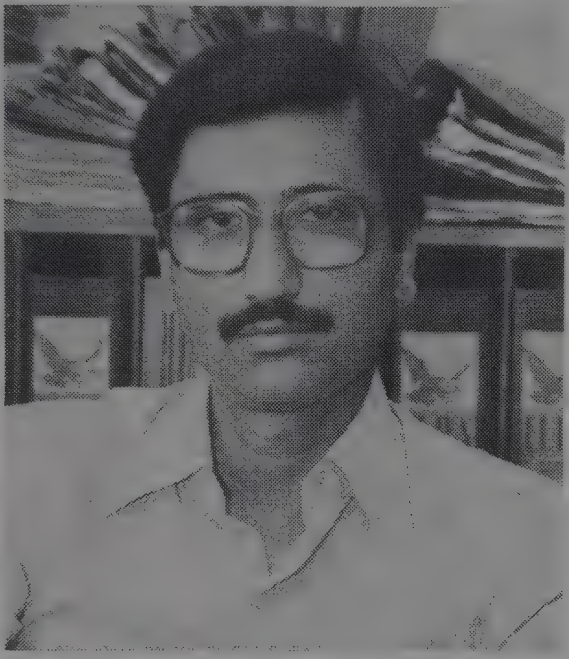
Despite having travelled the long path of evolution from the days when charms and amulets were believed to be the most efficacious cure for all ailments, the importance and potential of the profession of pharmacy are yet to be fully realised. To most people, a pharmacist is either identified with the individual who dispenses medicines at a drugstore or is, at best, someone lodged in an obscure segment of medical activity. "That a pharmacist is a professional in his own right is a fact which most people are not aware of although they reap the benefits of his toil in the laboratory and in industrial plants," remarks Manoj Basu (40), a qualified pharmacist currently employed as production coordinator of the Calcutta-based East India Pharmaceutical Works Ltd.

A restatement of the roles of a physician and a pharmacist helps delineate the importance of the latter. Says Basu: "A physician usually diagnoses, prescribes and monitors the therapeutic effects that drugs have on the human body; but it is the pharmacist whose concern encompasses practically every aspect of the manufacture and dispensation of drugs. He is involved in the analysis and development of drugs, is responsible for determining the dosage and routes of introduction into the human body, and studying their pharmacological effects and stability under natural conditions. In short, a pharmacist is expected to know everything about drugs."

Multi-disciplinary. According to Basu, a pharmacist's training is essentially multidisciplinary, which includes familiarisation not only with a range of special topics in pharmacy, but also exposure to the industrial environment. This enables him — more than others — to understand the complexities of a health related industry, and qualifies him to judge formulations and drugs, keeping in mind the safety of patients and customers. "Not surprisingly, the observance of an ethical code in the practice of pharmacy receives greater emphasis than in most other professions," says Basu.

After graduating in science from Calcutta University in 1964, Basu joined the undergraduate pharmacy programme at Jadavpur University in the same year. Four years later, on completion of his studies, he joined East India Pharmaceutical Works (EIPW), the manufacturer of well-known formulations such as Enteroquinol and Vitazyme, as a production chemist. In 1981, he was promoted to his current position of production coordinator.

As production coordinator of EIPW's plant in Calcutta, Basu's duties represent "the full array of a pharmacist's industrial responsibilities." The major steps that precede the production of a drug are: the purchase of raw materials, supervision of manufacturing processes, in-process quality control and finally packaging, storage and distribution of the end product. In addition to these basic functions, there are certain management functions such as improving production efficiency and introducing new technologies. Basu's role is that of a coordinator who links the functions of the various departments which participate in these diverse activities.



Basu: well defined role

Yet, the ambit of a pharmacist's role extends well beyond the confines of the health related industries. Even in the medical profession, the pharmacist has a well defined and important role to play, says Basu. "A team which includes both is, no doubt, the most competent one in dealing with human ailments. The ideal situation is one in which the physician diagnoses and prescribes the necessary medicines, and the pharmacist — who is the link between the physician and the patient — dispenses them accurately, counsels the patient about side effects, the mode of administration, drug reaction, diet and so on, so that the patient is able to use the drug most effectively. In the US and west European countries, this balance has been achieved."

Unfortunately in India, a pharmacist often finds himself receding into the background, completely overshadowed by the physician and his prescription, laments Basu, with the result that this situation often diminishes the visible effect of the contribution of the pharmacist.

Unadventurous attitude. Though research and evolution of new formulations are important aspects of a pharmacist's job, the actual use of a new drug is often fraught with considerable risk, since it involves the health and, in some cases, the lives of those who use the new product. Very often, however, the Indian manufacturer shies away from this responsibility, preferring to develop formulations that have already been tested in foreign countries. "This overlooks the necessity for developing drugs which take into account indigenous food habits, climatic variations and other factors which influence our body weight, as well as our constitution and its response to drugs and medicines. More importantly, this unadventurous attitude often results in an incomplete utilisation of the resources and the training of indigenous pharmacist," says Basu.

Against this backdrop, it is not surprising that the degree of recognition which the profession of pharmacy is showered with in the first world countries is yet to be matched in India. However, given the growing importance of the health related industries, the future augurs 'well for a professional pharmacist,says Basu. Thus, despite the lack of basic health care for the poorer sections of the population, there has been an appreciable increase in the number of consumers of pharmaceutical formulations over the past decade. "This is a reflection of a growing awareness of modern medical care," says Basu.

Today, a pharmacy graduate has considerable opportunities for employment, specially in the states of Gujarat, Maharashtra and Karnataka, according to Basu. In recent years, statutes enacted by the Central Drug Standard Control Organisation and Development Council for Drugs and Pharmaceuticals, emphasise the necessity of employing qualified pharmacists in organisations dealing with the manufacture, analysis or inspection of pharmaceutical formulations.

"As the country careers toward the 21st century, its people are bound to become more conscious of the necessity for improved health care facilities," says Basu. This, no doubt, will spiral the demand for modern pharmaceutical products, which in turn will sustain the ongoing growth of the industry, and the pharmacist's profession. "And given this trend, a pharmacist's career could be doubly lucrative both in terms of finance and in the satisfaction that comes from sustaining the health of the nation."

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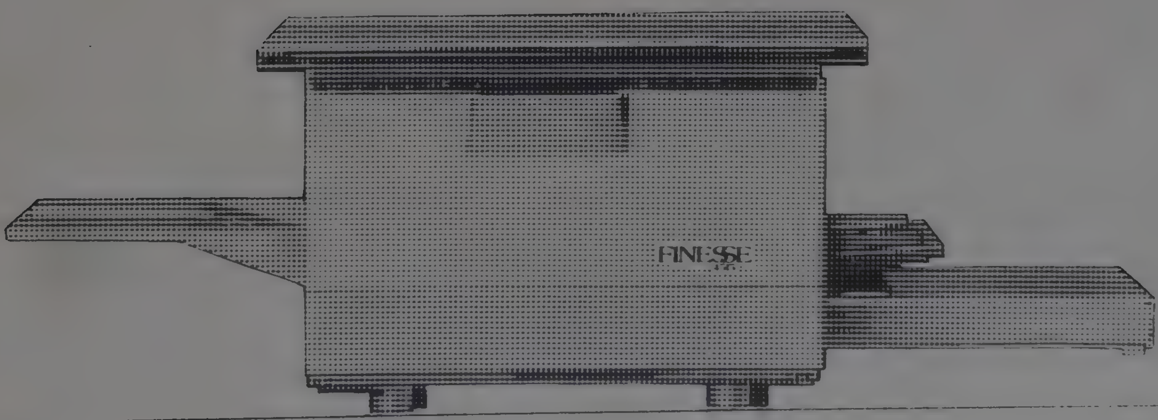

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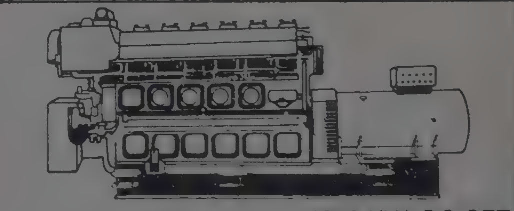
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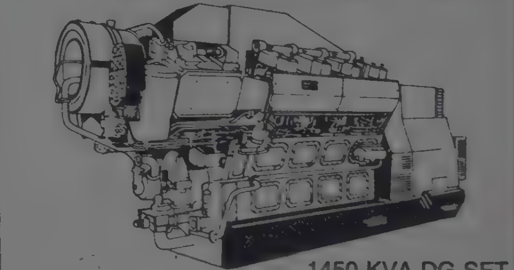
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Purchasing horse sense

T.A. BALASUBRAMANIAN

Maybe it has already happened to you. You had your microcomputer on line, fed in all your accounts receivable data, added a finance charge and printed your statements. Except... the statements would not fit the window envelopes you bought unless you folded them three times this way and then back that way.

Or you ran the payroll and got all the cheques printed and your reports generated from the computer... and then someone from the sheet metal shop reminded you he was going on vacation and needed his vacation pay cheque today. You scratched your head and wondered what to do.

Or you bought an inventory program that is supposed to be comprehensive, and you spent three weeks entering data and prices and then discovered that while it gave you a reorder summary and a year-to-date sales summary and did all sorts of complicated math to tell you what is selling and what is not, the program would not print a simple pricelist. If these examples all seem trivial, remember that they are all true stories.

Actually, stories such as these are often only the tip of the iceberg when it comes to implementing a first computer system, but there is an easy way to avoid this sort of thing. Basically, you must know your business, understand the information you really want to get from the computer and then think about it — before you buy anything. So, here are a few simple guidelines to consider before getting a computer.

PRIME CONSIDERATION

The first thing most people do with computer systems is to install some sort of accounting system — accounts receivables or accounts payable, perhaps a cheque-writing program to pay the bills, and so on. In such a case a prime consideration is the number of accounts any program will handle. All too often, the promotional literature about a program says it will "handle up to 500 accounts" or some such sales line. Your business may be running along quite well with 300 accounts right now, and if this program will take care of 500, that seems like more than enough. But about a year from now you will discover that your business has grown and now you need room for more than 500 accounts.

To avoid such pitfalls of computerisation the best approach is to make a list of what you want the programs to do:

- Exactly what do you want this program to accomplish? What data will the program work with? Where will it get its information? What output is required?

- Do you want printouts or will you do everything on the screen? If you must have printouts, list exactly what you want on them (not necessarily how you want it printed, but a listing of the items to be printed).

- How will this program interact with any other programs in use or likely to be used in the future?

- Check with the accountant to make sure the program will give you the information he or she requires for book-keeping purposes.

- Finally, list the requirements that your own particular business may require from this program.

'MOVING' CAPABILITY

Obviously, the best type of program is one that can handle an unlimited number of accounts (or, for inventory use, an unlimited number of inventory items) simply by keeping so many items on each disk and with the capability of 'moving' from disk to disk as you go through the accounts. In a receivable system not all the accounts show activity each month, but if you have someone buy something in 1986, you should keep that account active in case he or she buys from you again in 1988. The intention here is to look for the ability in the program to expand the database.

Once you decide what you want your microcomputer to do, the next step is to pick out the paperwork you will have it use. Besides the usual paper for your hardcopy records, you may need, for instance, statement forms, which come in all shapes and sizes. Also, one thing users often forget is to match the software with the forms they are going to use. It does not do a lot of good to buy a Rs.10,000 payroll program that prints cheques altogether different from what one wants unless it can be easily customised.

The same approach — keep it simple — needs to be used when deciding how complex you want a statement to be. Some statements come through with a side that tears off and has the invoice numbers and amounts printed again, so customers can check off what they are paying. But keep in mind that it doubles your printing time (you are printing the invoice number and amount twice), can slow your printing process and takes a larger and more expensive envelope. The approach should be to try to keep the forms as simple as possible and to use pre-printed forms, rather than custom-designed ones.

Keep in mind too, when you are working with a cheque-writing program that you must also be able to write those cheques by hand. This is vital. What if the printer stops working?

If you have a retail type of operation and you want to generate invoices, you may end up using your computer as a glorified cash register, at least during business hours. After all, to print out those invoices the computer has to be available, so beware of dedicating a Rs.68,000 microcomputer just for this one task. Obviously, if your business really justifies this application, then implement it — but think about it first. In fact, it may make the best sense to customise the all-purpose forms that are available.

The same thinking holds true when considering other uses for your computer. For instance, you might want to have a file with customer names and addresses on it. But you probably could do the same thing faster by hand. Unless you can run some sort of analysis on the data, a 'card' filing system rarely makes sense for your micro. This is just a matter of thinking about your business a little — there's no point in trying to do things on the computer that you can do faster or easier by hand.

Finally the important thing to remember is to keep thinking about what you want out of your microcomputer and to look constantly for the easiest, simplest way to achieve that goal. Because if you can get your computer to do what you want it to, you will be astonished at the time saved and the money generated for your business.

How viable is NOCIL's megabuck plan?

India's oldest petrochemicals manufacturing company has drawn up an ambitious plan to expand and diversify its operations. Yet the massive proposed investment of Rs. 1,300 crores over the next five years is being contemplated in the context of a worldwide downtrend in the prices of petrochemicals and imminent competition within the country.

By MICHAEL NERI

A dramatic transformation is underway at National Organic Chemical Industries Ltd. (NOCIL — sales: Rs. 251 crores in the year ended 31st December 1985), the low profile and hitherto slow-moving flagship company of the (Arvind) Mafatlal group (estimated assets: Rs.330 crores in 1985). Battered and bruised three years ago by seemingly intractable problems both from within and without, this Bombay-based company which manufactures petrochemicals and plastics has made a remarkable recovery, and is now poised to implement an ambitious expansion and diversification plan which, if it goes through, could win NOCIL a place of honour among the world's front-ranking petrochemicals companies.

According to the massive expansion and diversification plan unfolded to Bombay's business press on 18th May, the NOCIL management proposes to invest a stupendous Rs. 1,300 crores in industrial assets over the next five years which will quadruple its petrochemicals manufacturing capacity and add a whole new range of agrochemicals, speciality chemicals and consumer products to the company's product mix. The investors' fraternity has greeted the company's long overdue expansion announcement enthusiastically, marking up the quotation for the equity share of the company (Rs. 100 paid up) from Rs. 667 on 16th May to Rs.777.50 currently (5th July).

Not surprisingly, there is a flurry of activity in the company's head offices on the ninth and tenth floors of the futuristic marble-facaded Mafatlal Centre in Bombay's Nariman Point, where the NOCIL management, in association with representatives of the Royal Dutch/Shell Group (sales: £ 73.10 billion or Rs. 1,35,239 crores in 1985) — the world's largest manufacturer of petrochemicals which owns 33% of the equity of the Bombay-based company — are still assembling the nuts and bolts of the plan. If implemented, the plan — which visualises the erection of a giant 300,000 tonnes per annum petrochemicals complex at Thane will transform NOCIL into one the most modern and economic petrochemicals companies in the world.

That this expansion plan is not merely ambitious for a company of NOCIL's size (equity capital: Rs.24 crores: net worth: Rs.70.5 crores) but is also of more than a little strategic significance to the economy in general, is illustrated by the sobering fact that India currently imports 60% of its requirements of petrochemicals and their downstream derivatives at an cost of Rs.1,200 crores (in 1984-85), even while the demand for petrochemicals products is growing by over 15% per annum.

"All existing petrochemicals plants in India, including NOCIL's, are far too small to yield economies of scale"

M.S. PATWARDHAN

Thus, if the indigenous petrochemicals manufacturing capacity is not augmented from the current estimated 1,96,000 tonnes per annum of ethylene and corresponding amounts of associated and downstream petrochemicals, India will need to import nearly 90% of its almost doubled consumption of petrochemicals of the equivalent of 500,000 tonnes of ethylene in 1990 (see box p.48). This consideration alone invests the ambitious NOCIL plan with a strategic importance of national dimensions. In addition, the NOCIL plan, if sanctioned and implemented, will usher in an era of international competitiveness for the Indian petrochemicals industry, which is currently grossly uncompetitive by world standards.

Comments M.S. Patwardhan (58), a postgraduate in nuclear physics of Cambridge University and former chief executive of Burmah Shell (India) and managing director of NOCIL since 1978: "All existing petrochemicals plants in India, including NOCIL's, are far too small to yield economies of scale. For instance, NOCIL has an installed capacity to manufacture 70,000 tonnes per annum of ethylene, while the minimum plant size that is recommended for cost effectiveness is 300,000 tonnes per annum. Plants of this size are the norm worldwide, and in Saudi Arabia, there are plants of 600,000 tonnes capacity. The importance of economies of scale in the manufacture of petrochemicals can be gauged from the fact that the cost of manufacturing one unit of ethylene in a 300,000 tonne plant is 30%-40% lower than in a 70,000 tonne plant."

PRICE DIFFERENCE

And there is no gainsaying that a reduction of indigenous manufacturing costs is imperative. Currently, despite a 100% *ad valorem* customs duty imposed on them, imported petrochemicals are considerably cheaper than indigenously manufactured products. For instance, imported monoethylene glycol (MEG) a downstream derivative of ethylene costs Rs. 11,000 per tonne (landed cost) while NOCIL sells its MEG at Rs. 15,500 per tonne. This price difference will widen when the recent decline in crude oil prices to the $ 10 per barrel level is translated into lower priced petrochemicals shortly.

Thus, short of banning the import of petrochemicals, the only way the Indian petrochemicals industry can hope to survive in the longer run is to cut costs by ensuring economies of scale and realising higher levels of labour productivity as a measure of first resort. Not of course that this will suffice to ensure price competitiveness, because in accordance with the dictates of a somewhat indefensible government policy, state-owned petroleum companies supply naphtha to Indian petrochemicals companies at Rs.3,400 per tonne or at over twice the current international price of the intermediate of Rs. 1,600 per tonne.

The fertiliser industry on the other hand receives naphtha at a price of Rs.2,000 per tonne — the differential being justified on the grounds that while fertilisers are critical to the nation's developmental effort, petrochemicals are less so. Yet, this dual pricing policy is likely to have a devastating effect on the indigenous petrochemicals industry which paradoxically has been identified as a thrust area of growth during the Seventh Plan.

"If the government wishes to ensure that a strategically vital indigenous petrochemicals industry continues to exist, and it is also committed to creating an internationally competitive industry by lowering tariff barriers, then it must also ensure that Indian industry gets raw materials at internationally competitive prices. If this is not done in the near future, the indigenous petrochemicals industry is unlikely to survive,” adds Patwardhan.

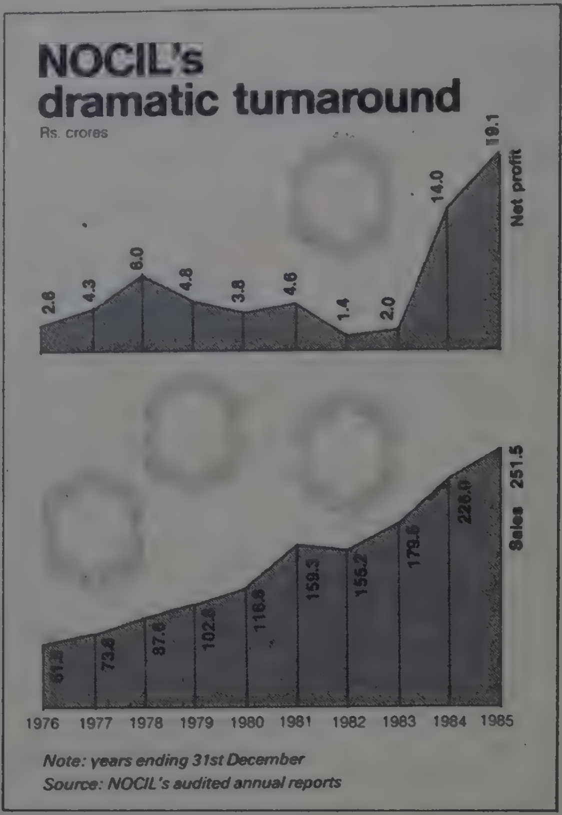
Evidently then, NOCIL's gigantic investment project, which will increase its ethylene manufacturing capacity to 300,000 tonnes per annum in the aggregate — its existent 17 year old plant will be scrapped in 1990 — and will result in corresponding increases in its capacity to manufacture other downstream petrochemical products (see box p.48) is vital to the company's long term survival as well.

GLOBAL TRENDS

Comments Patwardhan, who is widely regarded as being one of the most competent practitioners of the art of environmental assessment and planning in this country: “Both global and domestic economic trends make it imperative that we expand our operations to cost-efficient levels, if we are not to be eliminated from the petrochemicals business. The Union government has also recognised that the time has come to abandon the earlier policies of high levels of tariff protection and the specification of maximum manufacturing capacities in favour of a more competitive cost-reducing policy framework. Our expansion is in keeping with this new policy framework.”

Yet, even as the public sector Indian Petrochemicals Corporation Ltd.(IPCL—sales: Rs. 687 crores in the year ended 31st March 1986) has been awarded a licence to manufacture an additional 300,000 tonnes of ethylene and associated and downstream petrochemicals, and at least two other applications (excluding NOCIL's) to establish large petrochemicals complexes by the Gujarat state government and the R.P. Goenka group of companies are being planned, the fear that all these applications may be sanctioned and thereby create a situation of excess capacity is gaining ground.

Patwardhan is, however, untroubled by these anxieties, and comments, “Demand projections based on current domestic prices of petrochemical intermediates and end products indicate that the domestic market for these products will grow at a rate of 10%-15% per annum, despite the fact that per capita incomes are low and the prices of petrochemicals are two to three times higher than world prices. However, the introduction of large scale plants and more realistic policies in respect to naphtha price will lower prices of petrochemicals significantly, even as incomes increase. So the actual levels of demand for petrochemicals in 1990 should be higher than anticipated, on this score alone. But if one takes into consideration the fact that demand projections have not taken account of the quantum increase in demand for alternative packaging materials in the future, the real levels of demand could be much higher. For instance, the consumption of the four bulk commodities, cement, foodgrains, sugar and fertiliser are projected to increase by between two and five times by 1995, and there is no way these commodities can be packaged in jute bags, because there simply isn't enough jute for this So polyethylene and PVC bags will hav be used. Obviously, demand is unlik to be a constraint.”


NOCIL's dramatic turnaround

Note: years ending 31st December
Source: NOCIL's audited annual reports

HIGHER PRICES

Patwardhan is also convinced that 1990, the situation of unutilised capa ties in petrochemicals plants worldwic especially in the US and Europe, will transformed into one of capacity sho falls, which could result in higher expo prices. Not surprisingly therefor NOCIL managers retain an unusual me sure of confidence that the company plan will receive New Delhi's approva And among the arguments they cite defence of their optimism is the willin ness of Shell to inject a massi Rs.400 crores into the new project the form of foreign currency loans an through an enhanced stake in NOCIL equity. This fact, according to the company's president and the man who is believed likely to succeed Patwardhan a chief executive in two years' time, K Dharam (54), should cut more than little ice with the Union governmen which is confronted with the problem o a foreign exchange crunch.

Comments Dharam, who, after graduating from Nagpur University in chemical engineering and working in th rayon industry for a while, signed up a a junior technical officer with NOCIL i 1966: “We propose to set up a petrochemicals plant based on state-of-the-ar technology available today and of a siz which will ensure economies of scale Our collaborators, Shell, are the acknowledged leaders in petrochemicals i the world, so we will not only have access to their enormous technical expertise and knowhow, but they are willin

Dharam: state-of-the-art technology backed by Shell

to back the new project financially as well. At a time when investible funds are scarce, this should be an important consideration. But in addition to this consideration, there is the fact that NOCIL itself has been in the petrochemicals industry for 25 years, and our people have not only fully absorbed the technology to manufacture petrochemicals, but we have developed an intimate knowledge of the Indian market for petrochemicals which will be indispensable if we expand our operations. These are considerations that must be taken into account in sanctioning approval for a project which will inevitably involve sizeable inputs from the investing public and from the government-owned financial institutions as well."

REMARKABLE TURNAROUND

Indeed, on the face of it, these are compelling arguments in favour of NOCIL's expansion and diversification plan. But even as tripartite negotiations between the Union government, the Shell group and NOCIL are underway, the mood within the company's headquarters is untainted by anxiety despite the critical importance of the expansion plan to NOCIL's very survival.

The more perceptive observer is likely to trace the new found mood of confidence within NOCIL to the remarkable turnaround in the company's performance during the last two years and its diversification into the high margin agrochemicals business in mid-1983, after a three year phase of morale-shattering low growth and profitability.

And just how remarkable NOCIL's turnaround management — for it is evidently and patently the outcome of conscious management interventions — has been, is best assessed against a background of the company's somewhat troubled history. Incorporated in 1962 as a joint venture between the mammoth Royal Dutch Shell group and the then undivided Mafatlal group, NOCIL was awarded a licence to manufacture petrochemicals only in 1965. Within two years, NOCIL's managers erected a Rs.60 crore plant in the then wholly undeveloped Thane village, "a construction record in the petrochemicals industry," according to company sources.

The somewhat admirable haste with which the plant was commissioned was however to be a source of regret later, as NOCIL plant managers quickly discovered. Design deficiencies and mechanical bugs plagued NOCIL's operations from day one and continued to raise hackles for years thereafter. The first oil price hike in 1973, which resulted in the doubling of naphtha prices almost overnight from the then prevailing Rs.1,000 per tonne to Rs.2,000 per tonne, delivered a body blow to NOCIL that year. However, the fact that the domestic market for petrochemicals was growing rapidly, and tariff barriers were adequately high, ensured that NOCIL continued to remain reasonably profitable. But this weaning on a diet of survival threatening difficulties and problems encouraged long term growth and survival planning, which has since become an integral part of the company's management style.

"The first oil shock forced us to realise that our operations were too heavily dependent on the price of a single input — naphtha — and this spurred us on to undertake a series of cost-cutting modernisations and to think in terms of diversifying out of the petrochemicals business," adds Dharam, who was chief technologist of the company between 1973 and 1976.

MODERNISATION PLAN

Yet, the economics of modernisation, particularly of the installation of energy saving equipment and processes, did not at that point of time i.e. 1973, justify large investments. It took another oil price hike in 1979 — which pushed naphtha prices up further to the Rs. 3,000 per tonne level — to force NOCIL to undertake a massive and systematic Rs.100 crore modernisation plan and accelerate its diversification into agrochemicals, an industry in which Royal Dutch Shell, the company's largest single shareholder, has considerable experience.

Such a sustained and systematic upgradation of plant and equipment as NOCIL managers undertook between 1981 and 1985 in response to a survival threat is highly unusual in an environment in which industrial sickness is endemic and the clamour for protection from competitive forces is cacophonous. It is therefore a mark of high tribute to Patwardhan's managerial capability that in the face of almost hopeless odds, NOCIL is able to stand its ground today. Yet, Patwardhan's turnaround management has by no means been confined to technological fixes and in retrospect, it is NOCIL's diversification into the manufacture of agrochemicals that he is most likely to be remembered for.

'The more perceptive observer is likely to trace the new found mood of confidence within NOCIL to the remarkable turnaround in the company's performance'

The plan to diversify into this line of business was born in its fleshed out form in 1979, soon after the second oil price hike, but the construction of a new agrochemicals plant at Lote Parsuram (Ratnagiri district, Maharashtra) to manufacture monocrotophos (MCP)—an effective insecticide especially useful against cotton plant pests — commenced only in 1981.

The delay in project implementation was largely the result of the top management's — and particularly of Patwardhan's — decision to use indigenously developed technology to manufacture this product. Having presided over the liquidation of Burmah Shell in

How NOCIL compares

	Year ending	Net sales (Rs. crores)	Net profit (Rs. crores)	Gross block (Rs. crores)	Total liabilities/ net worth (%)
Southern Petrochemical Industries	31.12.84	503.33	24.61	157.29	299
Union Carbide India	25.12.84	222.90	8.21	104.28	78
National Organic Chemicals	**31.12.84**	**218.63**	**13.87**	**151.73**	**207**
Polyolefins Industries	31.12.84	116.11	5.51	46.67	131
Bayer (India)	31.12.84	82.18	3.43	26.83	125

Source: The Stock Exchange Official Directory

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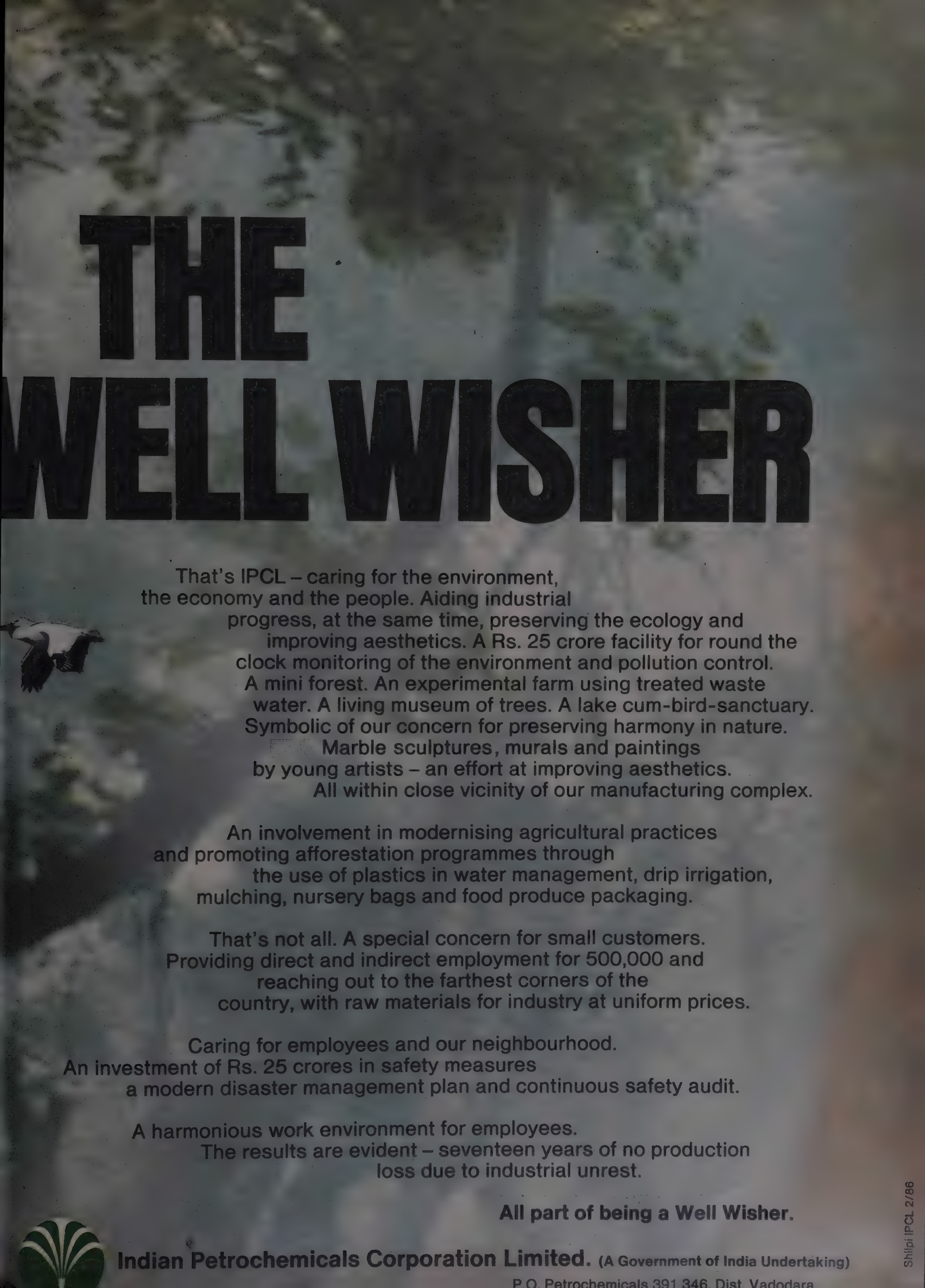

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BusinessWorld
July 21—August 3, 1986

Indian petrochem industry profile

A petrochemical, as the term implies, is a chemical derived from petroleum. Organic chemists however discovered that some petrochemicals can be derived from other raw materials as well. For example, the plastic polyvinyl chloride (PVC) which is traditionally derived from petrochemicals can also be synthesised from alcohol derived from molasses. Hence the term petrochemical no longer has a specific technical meaning. This notwithstanding, a gigantic chemicals industry based on petroleum and natural gas has emerged since World War II, and out of force of habit is still referred to as the petrochemicals industry.

Basic feedstock. Because petroleum products such as petrol, diesel and kerosene have alternative uses as fuels, naphtha (a medium boiling distillate of petroleum which is not very suitable for use as a fuel) is used in the petrochemicals industry as a basic feedstock. Naphtha is, however a composite of relatively large hydrocarbons and therefore it is first cracked into smaller hydrocarbons such as ethylene, propylene, butylene, etc., and these intermediates are separated and reacted with other chemicals to yield a range of useful products.

Ethylene and propylene are the most important of these, because they can be used to manufacture a range of plastics such as PVC and polyethylene in its many variants (such as high density polyethylene or HDPE, linear low density polyethylene or LLDPE) which are derived from ethylene and polypropylene which is derived from propylene. Butylene is the major intermediate used in the manufacture of polybutadiene or styrene butadiene, both synthetic rubber substitutes.

The technologies to manufacture these products were developed in the forties, and since oil was cheap then, resulted in the emergence of a petrochemicals industry which soon became a major growth area.

The Indian petrochemicals industry however got off to a delayed start only 17 years ago. The first operational plant to go on stream in this country to manufacture chemicals and plastics from naphtha was that of NOCIL in 1968. Thereafter, Union Carbide India Ltd. (UCIL) established a naphtha based plant to manufacture PVC, and the giant Indian Petrochemicals Corporation Ltd. (IPCL), a public sector undertaking, emerged as the largest manufacturer of petrochemicals in India in 1974. These three firms constitute the sum total of the Indian petrochemicals industry and manufactured products valued at an estimated Rs.1,000 crores in 1985.

NOCIL manufactures over 17 petrochemicals including MEG, PVC and butadiene, but excluding polypropylene. Its affiliate company, Polyolefins Industries Ltd., uses NOCIL supplied ethylene to manufacture HDPE. The only Indian company which manufactures polypropylene is IPCL and in fact this public sector petrochemicals company manufactures a much wider range of petrochemicals than NOCIL, including caprolactum (a basic feedstock used in the manufacture of nylon) and acrylonitrile used to manufacture acrylic plastics and synthetic wool.

But because of the somewhat different product mixes of different petrochemicals plants, it is not easy to compare sizes and capacities in the aggregate between plants, except through the simplifying device of comparing capacities to manufacture ethylene. Since the cracking of naphtha yields a fixed proportion of ethylene, propylene and other associated products, ethylene manufacturing capacity is in fact regarded a being an index of petrochemical manufacturing capacity.

IPCL currently has a capacity to manufacture 110,000 tonnes per annum o ethylene, while NOCIL's capacit aggregates to 70,000 tonnes and UCIL's to 22,000 tonnes, togethe aggregating to 202,000 tonnes.

Rapidly growing. However, natura gas, which is the cheaper and preferred feedstock for petrochemicals manufacture today, yields a lowe proportion of propylene when cracked, so ethylene capacity may not be a reliable index of IPCL's petrochemicals capacity when its 300,000 tonnes per annum gas-based petrochemicals plant goes on stream in 1990. IPCL's choice of gas as a feedstock is possibly related to the fact that apart from being cheaper, gas produces more ethylene, which is used to manufacture HDPE and PVC, both rapidly growing product segments in which IPCL is under-represented.

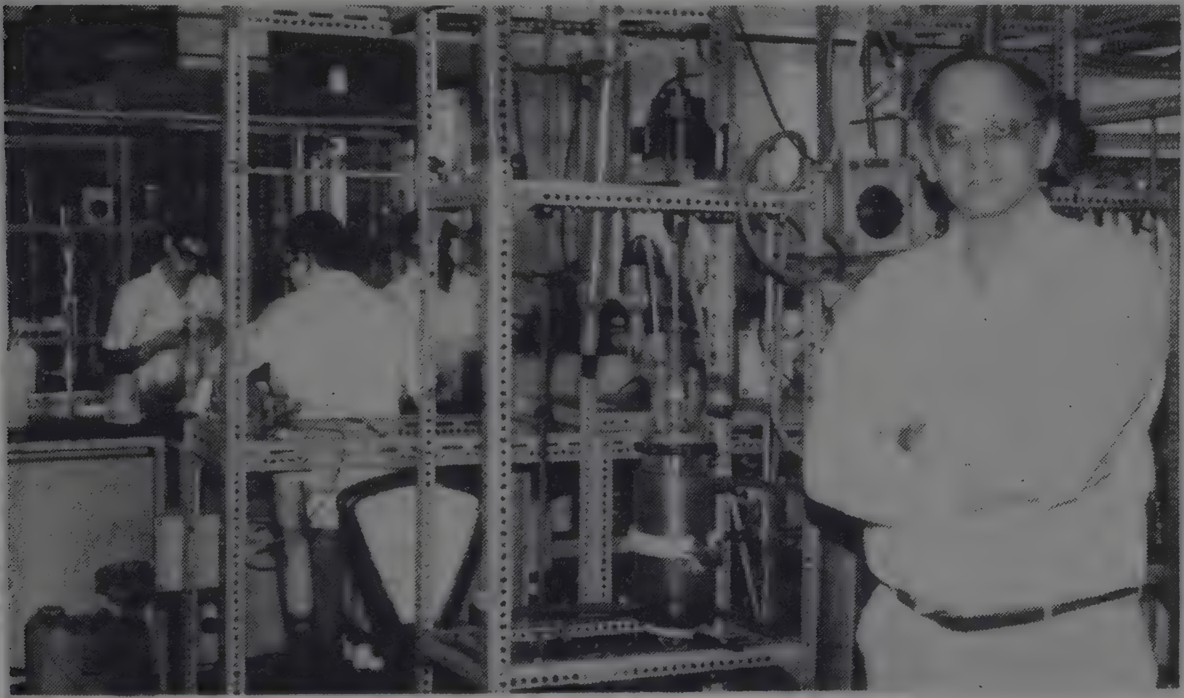
On the other hand, NOCIL's forced choice to use naphtha as a feedstock will give it the unintended advantage of being able to manufacture more polypropylene than IPCL by 1990 and since the demand for polypropylene is growing at over 20% per annum or faster than for other plastics (10% to 15% per annum), NOCIL's massive expansion plan will clearly place it in the fast growth track.

Petrochem demand projections

	Actual production 1984-85 (tonnes)	Target production 1989-90 (tonnes)
L.D. Polyethylene (LDPE)	1,00,000	1,86,000
H.D. Polyethylene (HDPE)	27,000	1,25,000
Polyvinyl chloride (PVC)	1,28,000	2,33,000
Polypropylene	27,000	79,000
Polystyrene	20,000	29,000
Styrene butadiene rubber	27,000	46,000
Polybutadiene rubber	18,000	26,000
Polyester staple fibre	55,000	1,17,000
Polyester filament yarn	18,000	77,800

Source: Seventh Plan statistics

India when the oil companies were nationalised, Patwardhan played a not insignificant role in persuading his former employers to retain a presence in India under the new conditions that were imposed on them. Patwardhan in fact made a strong plea that it was in India's interest to nationalise oil companies even while arguing that multinationals could continue to play a useful role in the Indian economy. It is therefore perhaps not surprising that Patwardhan should have insisted on using indigenously developed technology to manufacture agrochemicals within a Shell linked company.



Kane: lower capital costs and improved yields

OBJECTIVES ACHIEVED

"A decision was made to utilise technology developed by the Regional Research Laboratory (RRL), Hyderabad, to manufacture monocrotophos. What RRL had developed was only a pilot plant level technology and it required considerable developmental work to be scaled up to commercial levels. Our R&D team at Thane undertook to do this work, which we completed successfully in a short period. We also made several modifications in the process parameters and in the technology itself to reduce the capital cost of the project by at least Rs. 1.5 crores and improve efficiency. We achieved both objectives. The plant was commissioned in 1983 at a capital cost of Rs. 20 crores or at least Rs. 2 crores less than it would have otherwise cost, and though according to RRL specifications the plant should yield only 500 tonnes per annum of MCP, we have achieved yields of 900-1,000 tonnes per annum," says S.G. Kane (43), an alumnus of the prestigious Massachussetts Institute of Technology, USA, who supervises the R&D function within the company.

Somewhat paradoxically, the years during which the company was modernising its Thane facilities and erecting a new agrochemicals plant at Lote in order to broadbase its manufacturing operations were also the worst years for the company. Thus, while the company averaged a 28% per annum revenue growth rate between 1975 and 1981, and a not unimpressive pre-tax profit to sales ratio of 8.1% on an average during the same period, both sales and profits plunged during the bad years of 1982 and 1983. Sales and other income declined (for the first time in the company's history) from Rs. 159.3 crores in 1981 to Rs. 155.2 crores in 1982, recovering to Rs. 179.5 crores in 1983, but pre-tax profit aggregated only Rs. 1.4 crores in 1982 and Rs. 2 crores in 1983 or a mere 1% of sales.

Comments Patwardhan on the company's disastrous operational performance in those years: "1982 and 1983 were bad years because of both internal and external factors. On the external front, this was a period when the international petrochemicals industry was passing though a demand recession and consequently manufacturers of petrochemicals in the developed countries made an aggressive bid to export chemicals to less developed country markets. Because of large unutilised capacities and the falling real rate of interest, these chemical majors were willing to sell their products at a price which covered only their variable costs. As a result, imported petrochemicals prices crashed, and PVC resin for instance, was available in India at $500 per tonne c.i.f. *cf.* the price of $ 900 per tonne that prevailed earlier."

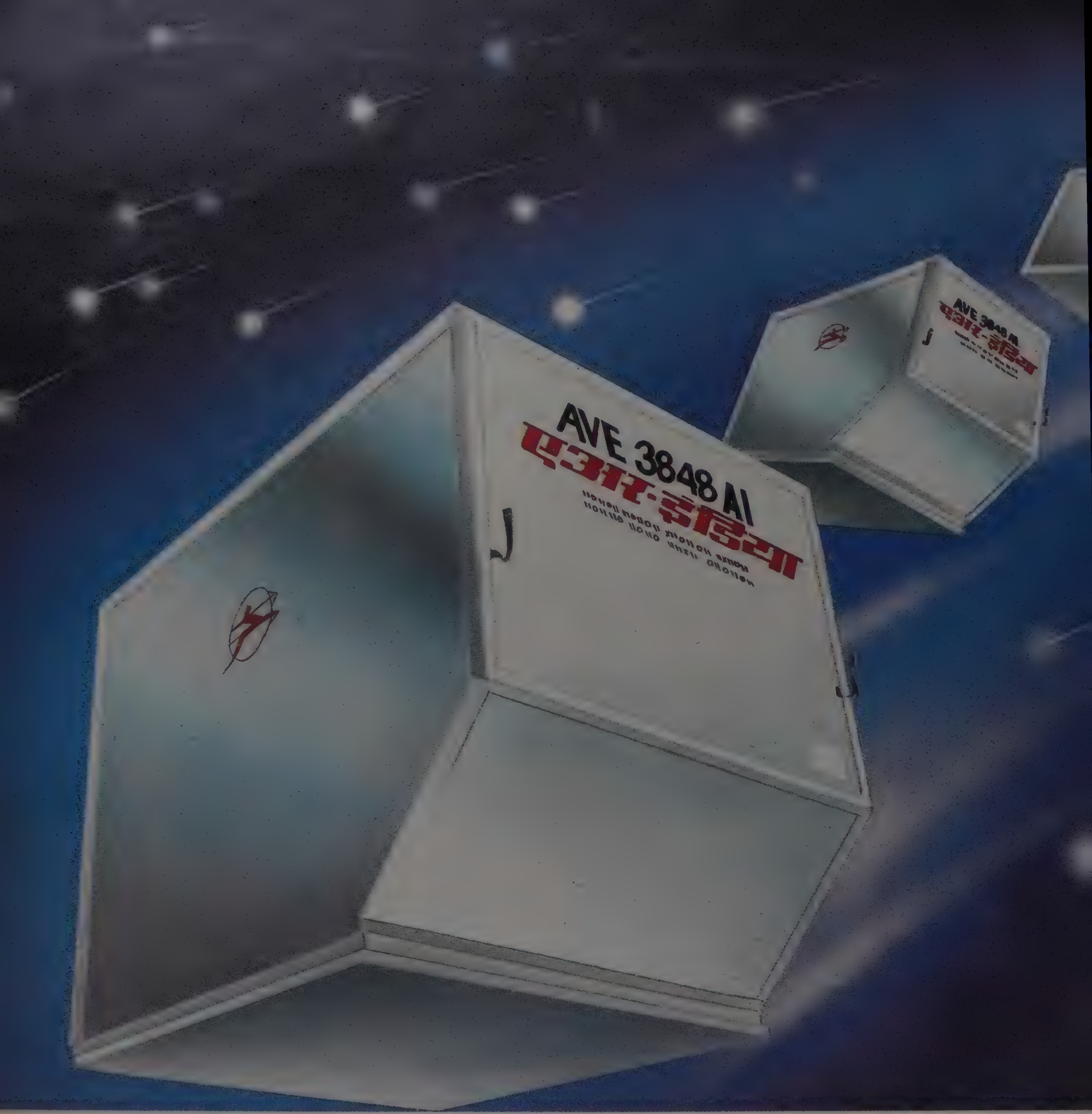
The falling prices of imported petrochemicals coincided with the Union government's liberalisation of imports into India. The government placed most chemicals on the OGL list in 1980, and even introduced a scheme of concessional tariffs for imports from the so-called preferred source nations, which continues till today. "All this hit our sales badly during 1982 and 1983. On the internal front, we had to contend with the high prices of naphtha at Rs. 3,400 a tonne, high interest rates and also some technical bugs in our Thane plant, as a result of which production contracted in 1982," says Patwardhan.

PROFIT INCREASE

But with the revival of the economies of the developed nations beginning in 1983, the pressure was taken off NOCIL, and its earlier modernisations and diversifications began to pay off at the same time. The company's agrochemicals plant went on stream in early 1983, and generated a sales revenue of Rs. 7.2 crores by the end of the year. The new cracker units installed in 1981 and 1983 and other modernisations also began to make their impact felt, and by 1984, sales and net profit recorded a big increase to Rs. 226 crores and Rs. 15 crores respectively, with the agrochemicals division alone contributing a respectable Rs. 16.3 crores to the company's sales turnover in 1984.

The dramatic turnaround indicates that the management's two-pronged strategy which combined an aggressive thrust into agrochemicals with a determined effort to upgrade the company's petrochemicals plant in Thane with new technologies and processes has paid off. Yet, Patwardhan's team of managers has clearly combined boldness with caution, as is indicated by the fact that despite its Rs. 100 crore investment during the period between 1981 and 1985, the company's debt-equity ratio has been maintained well below the norms prescribed by the term lending institutions. At the end of 1985, the company had an outstanding debt (long term borrowings) of Rs. 81.9 crores *cf.* shareholders' funds aggregating Rs. 70.5 crores, yielding a very safe debt-equity ratio 1.2:1.

The company's reserves have also been maintained at a healthy level, and aggregated Rs. 46.5 crores in 1985, prompting the company's board to recommend a 1:2 bonus which is awaiting the clearance of the controller of capital issues. Comments S.V. Ambekar (53), a fellow of the Institute of Chartered Accountants and vice president (fi-



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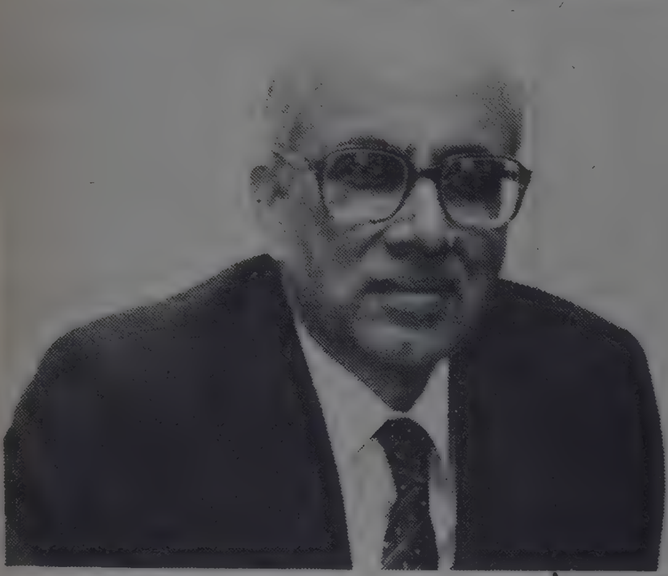
IR-INDIA—Programmed for the future

nance) of the company: "We have always adopted a conservative financial policy in the past, especially in relation to borrowings. We have also been very conscious of costs, and we have an elaborate and carefully designed cost monitoring system which has ensured that costs have remained within stipulated norms. Our conservative borrowing policy and our cost-consciousness has helped us to tide over the difficult years of the early eighties, and has also ensured that our credit rating is high. This latter fact is critical in the context of our proposed expansion plans. We will obviously need to borrow much larger sums of money to implement this plan than we have ever done in the past and in a sense we may have to adopt a bolder borrowals policy. However, we are examining a series of alternative methods of financing our expansion plan which will ensure that we do not deviate too much from existing policy."



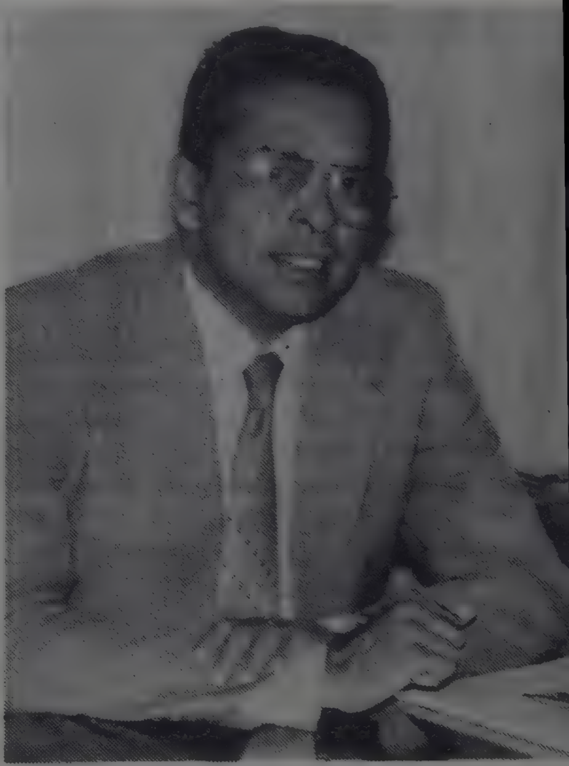
"Our conservative borrowing policy has helped us to tide over the difficult years of the early eighties, and has also ensured that our credit rating is high. This latter fact is critical in the context of our proposed expansion plans"

S.V. AMBEKAR

Among the alternatives being considered, according to Ambekar, are the issue of equity shares, cumulative preference shares, debentures, inviting fixed deposits apart from obtaining loans from financial institutions, foreign banks and other lenders. "We will have to offer a combination of securities which will minimise the cost to the company, but we haven't yet worked out the details," adds Ambekar, who is quietly confident of his company's ability to raise an estimated Rs. 900 crores from various sources over the next five years.

And in preparation for the megabuck financial innovativeness that his division will have to indicate in the near future, Ambekar has installed a computerised cost monitoring system and an electronic banking window accessing the company's cash accounts with Citibank, Bombay.

But even as NOCIL's backroom finance personnel prepare for the computer era and gear up to mobilise funds for the company's proposed Rs. 1,300 crore investment plan, the company's marketing division is no less active. Having played a crucial role in pushing agrochemicals sales to the Rs. 37 crore mark in 1985 against considerable odds and in the face of much initial scepticism, Dinesh Balsaver (54), an agricultural sciences graduate of Poona University who signed up with NOCIL in 1966 and is currently the vice president (marketing) of the company, exudes confidence of being able to take on the marketing challenges of the future.



Balsaver: innovative marketing

DISCIPLINED AGGRESSION

Under Balsaver's tough and nononsense direction, the company's 50-strong team of marketing managers and field staff have obviously developed the disciplined aggression born of adversity that has ensured success in the past. When NOCIL first entered the market with PVC in 1969, for instance, the company was producing far more than it could sell of this now ubiquitous plastic. "We decided that we could not afford to wait till demand expanded, so we set about creating demand by encouraging small entrepreneurs to promote moulding companies to manufacture footwear and other PVC products. We set up a full-fledged training programme for them and offered complete consultancy free of charge and even financial help to these entrepreneurs. The programme worked, and we helped to promote over 400 small enterprises to manufacture PVC mouldings over the last 10 years," says Balsaver not without pride. As a result, the company's PVC sales soared.

And though the latter day success in agrochemicals did not require an equally innovative marketing strategy, the company entered the Rs. 600 crore agrochemicals market with its own products at a time when competition was fierce and major agrochemicals companies had already established their reputations.

"Our diversification into the manufacture of agrochemicals occurred in the context of serious problems in the petrochemicals business. We needed quick growth and profits in this new line of business to help take some of the pressure off the petrochemicals division, so it was obvious that we would have to enter the agrochemicals market with products that were not available hitherto, but at the same time had a high growth potential. This is why we decided on introducing monocrotophos in 1983 and the synthetic pyretheroid cypermethrin in 1984, and also why we are now diversifying into the manufacture of two new fourth generation pesticides i.e. phosphomidon and DDVP at our Lote plant with technology supplied by RRL. These products are highly effective fourth generation insecticides and are in great demand, so sales growth in our agrochemicals division should be rapid. In terms of sales generated we have already moved up from 14th rank in the Indian agrochemicals industry in 1983 to fourth rank in 1985, and we hope to be amongst the top three by 1990," says Balsaver.

And Balsaver's optimism is obviously shared by a majority of the company's 300 highly qualified managers who are in the process of shaking off the despondency resulting from the stagnation of the early eighties and the threat to the company's survival due to the falling prices of petrochemicals in the

"We believe that the project is viable"

Michael Neri interviewed M.S. Patwardhan (58), managing director of NOCIL in Mafatlal Centre in Bombay's Nariman Point.

Excerpts:

■ NOCIL has passed through a bad patch spanning the early eighties, but it appears to have made a complete recovery during the last two years. What explains the poor performance of earlier years and how was the turnaround effected?

The period between 1980 and 1983 was a bad patch for NOCIL. During this period both external and internal factors worked against us. On the external front, this (1980 to 1983) was a period when the international petrochemicals industry was passing through a recessionary phase and consequently manufacturers of petrochemicals in the more developed countries made an aggressive bid to penetrate the markets of the less developed countries.

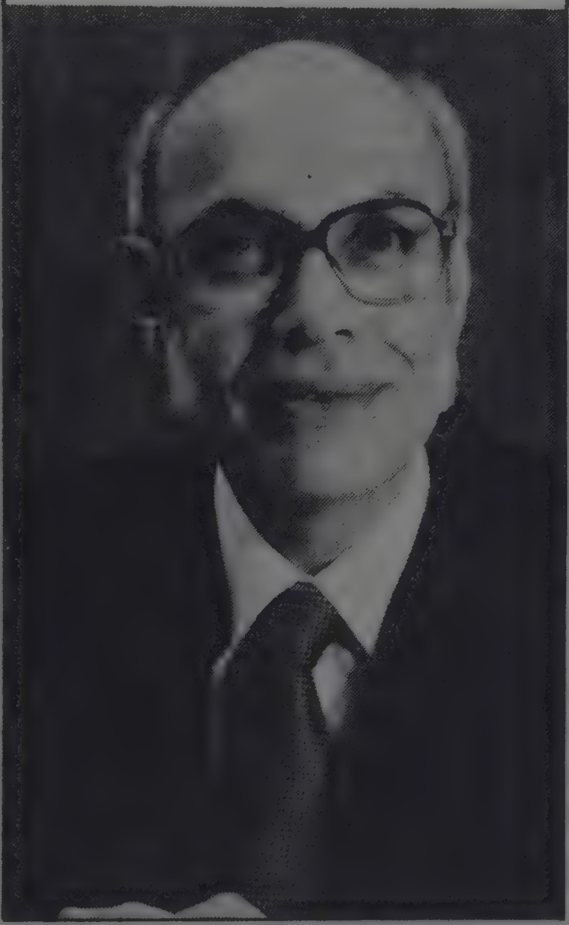
This situation coincided with the liberalisation of imports into India beginning in 1980, when most chemicals were brought under the OGL classification.

On the internal front as well, the period 1980-83 was the time when we were in the process of adjusting to the second major oil price hike which pushed naphtha prices from Rs.1,200 to Rs.3,400 per tonne overnight. In order to survive this second hike, we had to undertake a series of expensive modernisations and diversifications which increased our interest burden and reduced profitability.

The international economic revival that started gaining momentum in late 1983 helped us to regain our domestic market in 1984, and at the same time our new agrochemicals plant at Lote, Maharashtra, went on stream while modernisations also began to pay off. All these factors together helped to improve financial performances in 1984 and 1985.

■ What factors prompted the company's diversification into agrochemicals rather than into related lines of business such as detergents, synthetic fibres, etc?

The decision to diversify out of the petrochemicals business had an obvious basis: we were too dependent on the price of a single input i.e. naphtha which made us very vulnerable to the effects of price fluctuations. So we wanted to diversify into a business where our expertise in petrochemicals



would help, but one which would not be dependent on naphtha inputs.

Access to Shell technology in agrochemicals also influenced the choice which in retrospect has been a wise one. Over the next two years, we propose to manufacture two new agrochemicals in addition to monocrotophos and cypermethrin which we now manufacture. We expect that sales of our agrochemicals division will touch Rs.100 crores by 1990.

■ You have formulated a plan to invest a sum of Rs.1,300 crores over the next five years to set up a new giant sized petrochemicals plant at Thane. Is this decision justifiable in the context of the fact that many petrochemicals companies worldwide are moving out of this line of business because they cannot compete with the petrochemicals plants of West Asia? Also, how does NOCIL propose to finance this investment?

Petrochemicals manufactured from associated gas in some West Asian nations are undoubtedly cheaper than those manufactured in India, both because of economies of scale and low cost of feedstocks, as well as low or zero interest rates. There is the likelihood that in the wake of the recent fall in oil prices, international petrochemicals prices will fall still further so we would be under considerable pressure in the near future unless the government intervenes. But if one takes a longer term point of view, the situation looks altogether better.

I share the belief that over the next five to 10 years international oil prices will recover much of the ground that they have lost in recent years. So we will not suffer a great price disadvantage in respect to raw material costs in the longer run. Our plant is also going to be large enough to ensure economies of scale and if the government reconsiders its naphtha pricing policy and gives us naphtha at the same price that the fertiliser industry gets this intermediate, we can compete with the West Asian nations in price terms. And demand for petrochemicals is growing rapidly in this country, so I don't foresee a demand constraint. Given these considerations, we believe that the expansion project is necessary and viable.

As to financing, we have not yet worked out the details, but Shell is willing to make a substantial investment in the project and we believe that we can raise the rest from within the country. The capital markets are taking a bullish view of NOCIL — our share prices have moved up from Rs.150 two years ago to over Rs.775 today, so the investing public has faith in us. The money will be raised in tranches over a period of four to five years, so we don't think it's going to be very difficult.

■ The expansion will mean a quantum leap for NOCIL in terms of sales, profits, technology and organisation. What strengths can NOCIL count on to meet the challenges that this change will represent?

The technology that we will use is certainly more sophisticated than the one we use now, but the basic principles remain the same and we do not envisage a problem in being able to handle the technology. Our greatest strength is in fact our people, who are second to none in the petrochemicals industry both within India and overseas. We have considerable experience of the petrochemicals business, and we are familiar with the Indian markets and what they require. I am confident that these strengths will enable us to face future challenges adequately.

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international markets in the recent past. But even as a new optimism can be discerned within Mafatlal Centre, Patwardhan and his top management team will obviously need to devise equally bold policies to improve the morale of the company's most precious resource: its managers. For few would deny that NOCIL's ambitious new plan notwithstanding, morale continues to be slack and dissatisfaction tends to run at higher than warranted levels.

In part, the low morale of managers relates to the fact that the company's weak-kneed industrial relations policy has created a situation in which a majority of the company's blue collar workers are better paid than junior and middle level managers. For instance, of the 200 employees of the company (total employee strength: 1,800) who receive a gross remuneration of Rs. 1 lakh and more per annum, over 150 are skilled and unskilled workers. But perhaps more to the point is the fact that while the company has systematically pursued a policy of buying industrial peace with workers at any cost — NOCIL blue collar employees are as a consequence probably the highest paid workers in the organised industrial sector — it has tended to hold line managers accountable for the poor productivity of the company's strongly unionised workers.

Kapur: different diagnosis

CONSCIOUS CHOICE

S.P. Kapur (59), a graduate in political science of Punjab University and personnel manager of the company, admits that morale isn't what it should be, but prefers a somewhat different diagnosis of its cause. "Our basic approach to our employees is consulta-

NOCIL's gigantic major shareholder

The Royal Dutch Shell group (sales: £73.10 billion or Rs.1,35,239 crores in 1985) is the world's largest manufacturer of petrochemicals and the largest industrial corporation in the world outside the US in terms of sales according to an annual rating made by the well-known US-based fortnightly *Fortune*. Its chemicals sales aggregated to Rs.9,972 crores in 1985.

The group is a composite of companies belonging originally to the Netherlands-based Royal Dutch Petroleum Co. and the UK-based Shell Transport & Trading Co. plc. but which have since been merged, with the equity capital of the holding company Royal Dutch Shell group being shared in a 60:40 ratio between Royal Dutch and Shell respectively. Currently the group is *inter alia* engaged in the crude oil exploration, extraction, refining, transportation and distribution businesses and also in the manufacture of petrochemicals and metals and mining businesses with crude oil, gas and refinery products contributing over 90% of the company's revenue in 1985.

The group has fully owned or subsidiary companies with a majority stake in over 100 countries worldwide — making it one of the world's most widely spread transnational corporations. The group employs 1,42,000 people worldwide in companies in which it has a majority shareholding.

But despite its highly diversified portfolio of businesses and its wide geographical spread, the Shell group — as it is referred to for convenience — is being buffeted by the storms of adversity in all its business lines, resulting in a 0.95% decline in 1985 sales over the £73.81 billion or Rs.1,36,549 crores sales revenue recorded in 1984. Net profit also fell during the same period by 17% from £3.65 billion to £3.03 billion (Rs.6,753 crores to Rs.5,606 crores).

Time of anguish. Falling crude oil prices, and a recession in the demand for petrochemicals and metals have made the eighties a time of anguish for the group. Yet, barring minor restructuring — including the selling of a large number of oil carrier ships and closing down of several refining and petrochemicals plants — the Shell group has not made public a long term plan to diversify rapidly into unrelated businesses. This was indicated by the fact that, of the group's £433 million or Rs.802 crore expenditure on R&D during 1985, a major part went into oil related projects designed to improve recovery efficiencies and yields and reduce costs of exploration. The group also made an aggressive bid to acquire oil related businesses in the less developed countries during 1985.

Shell's strategy of sticking to the knitting is obviously based on its management's belief that oil prices and demand will revive strongly by 1990 and thereafter. Yet in the intermediate period, the portents are far from happy and the quest for greener and near virgin pastures in the less developed countries is likely to receive a major impetus. Indeed, Shell's unusual interest in India of late is a direct offshoot of the group's tryst with adversity at present, and the prospects of continuing tough times in the next three to four years.

The Shell group had already committed an investment of 40% of the proposed Rs.1,500 crore joint sector Karnal refinery, and Shell is now reportedly willing to inject an additional Rs.400 crores into NOCIL's proposed new giant petrochemicals complex — both large investments even by Shell standards. Because of the fact that these investments will come on stream only in 1990 and after, when oil prices are expected to revive, M.S. Patwardhan (58), managing director of NOCIL rejects the inference that this massive Shell investment is a consequence of the group's current difficulties.

"To my mind, Shell's interest in two separate billion dollar Indian projects are related to the fact that Shell managers are convinced that India represents a major growth opportunity in the years ahead. The recent liberalisation of economic policy has also made this country a more attractive investment bet. However, it must be mentioned that though there has been much talk of the investment climate being more attractive to foreign investors now, Shell is the only company that has expressed its willingness to commit over half a billion dollars to India so far," says Patwardhan.

tive and participative rather than authoritarian. True, some people doubt whether this is the best approach to use in the Indian context, but we have made a conscious choice to use this approach. This approach of course makes the manager's job more difficult because he has to gain the cooperation of fellow workers through persuasion and discussion rather than by giving orders, and perhaps some managers are not willing to do this, which might explain the kind of frustration they experience. I don't agree that managers are frustrated because they are less well paid than workers. Money isn't everything.

"But I do see a cause for frustration in the age structure of the company, which is rather skewed. We have too many employees in the 40-45 age bracket and an equal number in the 25-30 bracket. The upward mobility of the younger group is blocked by those in the older group, whose mobility in turn is blocked by the limited number of positions at the top. But this is a problem which will probably be resolved as we expand and more challenging horizontal movements will become available," says Kapur.

On balance, however, Patwardhan is inclined to the belief that both managers and workers are a valuable asset that the company can count on in taking on the challenges of the future. Says Patwardhan: "We have been in the petrochemicals business for 25 years now, and during this period, our workers and managers have confronted almost every conceivable kind of problem and solved or overcome it successfully. As a consequence, we have some of the most experienced and knowledgeable people in the petrochemicals business in this country today. This is one of the our greatest strengths."

OTHER DIVERSIFICATIONS

Undoubtedly, this strength in particular is going to be put to the severest test as the company undertakes its massive expansion and diversification plan, which will quadruple sales turnover to the Rs.1,000 crore mark by 1990 and place NOCIL within the ranks of the big league of Indian industry. Much of the increased turnover will derive from the company's proposed new petrochemicals plant which is scheduled to be erected on a vacant 108 acre plot at its Thane manufacturing campus. But "we also have other diversifications in mind," says Patwardhan. "For instance we are looking at a range of consumer products, speciality chemicals and detergents, to mention just a few," he adds.

Diversification into speciality chemicals in particular is being accorded top priority, and the rationale behind this strategic choice is not hard to discern. Currently, the company produces a range of aromatic petrochemicals which are sold as solvents and additives to the chemicals industry, which surprisingly commands only a modest profit margin. It would therefore make better business sense to convert these aromatics into high margin speciality chemicals, which is why, at the company's sophisticated Rs.2 crore R&D facility at Thane, the proverbial midnight oil is being burnt to create a range of speciality products for use in oil exploration, perfumery, etc.

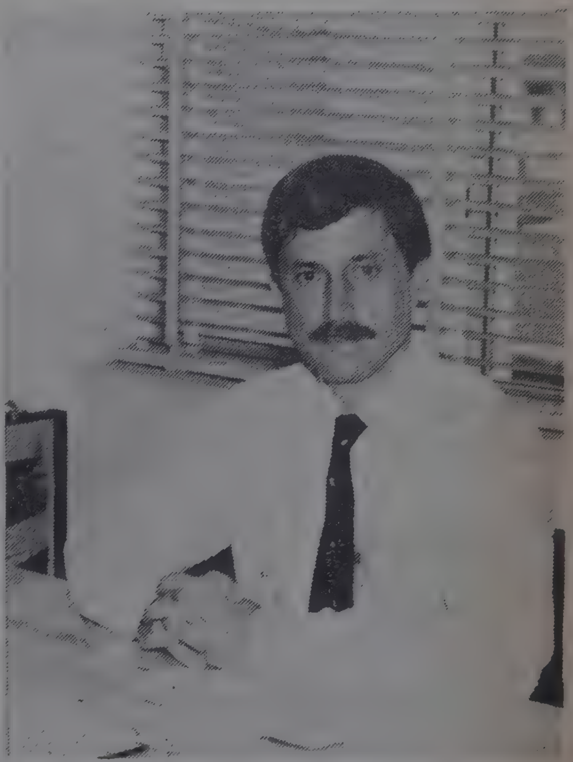
"Speciality chemicals is a high growth, high margin field of business, so we are concentrating our efforts in developing a range of chemicals for use in perfumes, as additives in the chemicals industry, and for the construction and oil exploration businesses. We have already synthesised 12 new compounds which show promising commercial prospects, and we hope to be able to put these products on the market within the next two years," says S.G. Kane, the company's R&D manager, quoted earlier.

Kane's time and the efforts of his 90-strong R&D team could have made greater contributions to the company's bottomline had it not been for NOCIL's strong commitment to pollution control and environmental concerns which necessitate the allocation of over a third of the R&D centre's highly qualified staff in pollution control.

PIONEERING ROLE

According to Michael Lux (42), a doctor of chemical engineering of Birmingham University and the company's vice president (works), Royal Dutch Shell has played a pioneering role in introducing pollution control technology into the potentially highly pollutant petrochemicals industry. "Shell insists that its affiliate companies adopt the same high standards that it maintains in its own 100% owned plants in the UK and the Netherlands," says Lux. And given such a commitment it is perhaps not surprising that even when NOCIL was passing through its worst ever years in financial terms, its top management was persuaded to undertake a Rs.3 crore investment to establish an effluent treatment plant at Thane (operational since 1983) which reduces the level of pollutants in the effluent to lower than permissible levels.

The anti-pollution commitment is, not surprisingly, to be extended to the proposed new plant as well. According to Patwardhan, more than a little time and effort is being expended to ensure that the company's proposed new petrochemicals plant will be even more pollution and accident-proof than the existing plant and promises to create one of the country's safest and cleanest chemical plants ever. "It is our ambition to set newer and higher standards of pollution control in this country, and we hope to become a model in this respect," says Patwardhan.



Lux: Shell's pioneering role

Quite obviously, in Patwardhan's grand strategy to make NOCIL a front ranking Indian corporation and a major petrochemical manufacturer in the world, the little details are not being left to chance — which, perhaps, explains why Patwardhan and his team of managers look to the future with more certitude and optimism than some would say is warranted.

But warranted or not, there's no denying that NOCIL has emerged stronger from perhaps the worst period it is likely to encounter in its history and has catalysed the corporate energy to propel the company into the fast growth lane. Admittedly given the uncertain state of the worldwide petrochemicals industry, undertaking a capital-intensive modernisation and diversification programme is not a risk-free proposition. But in the 17 year manufacturing history of NOCIL, the men who manage India's most mature petrochemicals company have demonstrably acquired sufficient expertise to take on the challenges of the future and with a little bit of luck the company could emerge as an enterprise that commands worldwide respect.

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BusinessWorld
July 21—August 3, 1986

Information centres

P.V. SATYANARAYANA

This article, the tenth in the series on business information, attempts to highlight the various information centres and libraries in India. The previous nine articles had provided listings and descriptions of various publications such as reports, periodicals, directories and other reference material and the type of business information available from each.

Not a few readers of this column are undoubtedly wondering where such publications — which offer the opportunity to cull business and industry data — are available. In the previous articles, there were occasional references to the specific places where certain types of information are available. This article, however, progresses a stage further by essaying a comprehensive listing of the information centres and libraries in India within the space limitations of this page.

SPECIALISED INFORMATION

In Bombay there are a number of specialised information centres and libraries which provide information pertaining to the Indian industry as well as on overseas business.

■ The Industrial Credit & Investment Corporation of India (ICICI) runs a specialised commercial library which is probably one of the most professionally managed in the country. Easy retrieval of information is one of the features of this library. The ICICI library is open to members of the public for a few hours daily.

■ The Indian Merchants' Chambers (IMC) owns a financial and commercial library which contains a sizeable collection of trade directories, news clippings and a host of trade and industry periodicals. But the information disseminating function of the library is sub-optimally discharged as it is, for the most part, manned by underqualified staff.

■ Certain chambers of commerce (established for the promotion of trade between India and specific countries) such as the Indo-German Chamber of Commerce and Industry (IGCCI), Indo-American Chamber of Commerce and the Indo-French Chamber of Commerce, maintain library facilities and provide useful information about their respective countries.

■ Certain consulates and trade commissions also run information centres and small libraries to provide information about their respective countries' trade and industry. Some examples include the libraries of the consulates of the US, Italy and Australia. Amongst these, the US consulate has the best collection of trade directories and a limited number of trade and industry periodicals. In addition, the British Council runs a useful reference section.

■ The two private Bombay-based economic research organisations, the Commerce Research Bureau (CRB) and the Centre for Monitoring Indian Economy (CMIE), (mentioned in a previous article) maintain in-house libraries that can be ranked among the best. The use of the reference facilities of CRB and CMIE is confined to its members though the former makes its facilities available to members of the public on payment of a specific fee.

PROMINENT LIBRARIES

New Delhi has the largest number of specialised libraries and information centres pertaining to business and industry.

■ In New Delhi the Federation of Indian Chambers of Commerce and Industry (FICCI) runs a well-stocked library with a particularly good collection of Indian and overseas directories, periodicals and reports. The library is well managed and retrieval of information is a reasonably painless process.

■ The New Delhi-based Indian Institute of Foreign Trade (IIFT) maintains a well-stocked library from where information on overseas markets can be procured. The Trade Development Authority (TDA) also offers reference facilities for research on overseas markets.

■ The India Investment Centre in Delhi operates a small library, which has limited information on Indian industry.

■ In the capital, most government of India ministries and departments maintain specialised libraries primarily for in-house research purposes. Some of them have an impressive collection of reports and other relevant publications.

■ The researcher in New Delhi may also gain access to the libraries maintained by the embassies of the developed countries which offer trade and commercial information on their countries to Indian businessmen. The US embassy in particular offers considerable reference material.

■ Some of the United Nations affiliated organisations which have offices in Delhi also offer reference facilities. Among them are the World Health Organisation (WHO) and the Food & Agricultural Organisation (FAO). The World Bank too offers useful reference facilities.

In Calcutta, though a few chambers of commerce maintain libraries, the range of information available is limited.

■ The Directorate General of Commercial Intelligence & Statistics (DGCI&S) manages a fairly good library with a sizeable collection of Indian and overseas trade directories, trade publications and reports but somewhat predictably, retrieval of information is an arduous and time consuming task there.

Most of the research laboratories within the jurisdictional purview of the Council of Scientific and Industrial Research (CSIR) maintain excellent specialised libraries at their respective locations of operation. Special mention must be made of the libraries and information centres of the Central Leather Research Institute (CLRI) in Madras and the Central Food Technological Research Institute (CFTRI), Mysore.

In addition, trade sponsored institutions and certain educational institutions such as the Indian Institutes of Management and the Indian Institutes of Technology also maintain information-laden libraries though some of them are not easily accessible to members of the public. Specific mention of the library facilities of the Small Industry Extension Training Institute (SIET), Hyderabad; Automotive Research Association of India (ARAI), Pune; Silk and Artsilk Mills Research Association (SASMIRA), Bombay; the Central Institute of Foundry & Forge Technology and the Central Institute of Road Transport Research, Pune must also be made.

BusinessWorld
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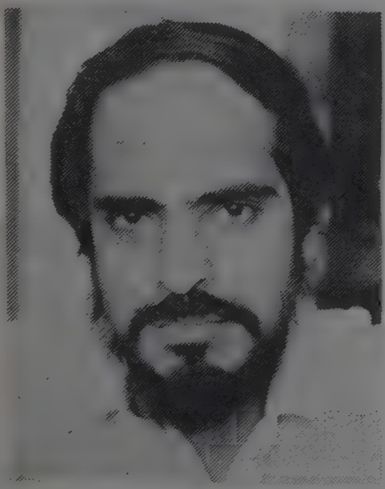
Scribe vs. scribe

DARRYL D'MONTE



The tendency to personalise media issues now seems to be assuming the proportions of a raging epidemic. *Vide The Illustrated Weekly*'s Jain *versus* Jain cover story, which features no less a shadowy personage than the Times group chairman Ashok Jain himself. Perhaps a more appropriate headline would have been the algebraic: Jain^2 *versus* Jain.

I don't think we have learned very much about the current power tussle in *The Times* from all the lengthy interviews that have been published, including the most surprising one of them all—the chairman's in *The Illustrated Weekly,* itself a Times group publication. Make no mistake: I am not pleading for a return to halcyon days when newsmen were heard and not seen, but for some light on substantive issues, rather than personality or style.

To put the matter bluntly, quite apart from the Times group's executive director and heir-apparent Samir Jain's alleged differences of opinion on the way newspapers ought to be run with those who do (or did?) run the one daddy owns, what will Arun Shourie's entry as executive editor spell for the Old Lady of Bori Bunder? Will his presence be felt only on the newspages? Or—as the chairman himself reveals in a throwaway line—will he become the full-fledged editor once Girilal Jain steps down, as he probably will do at the end of the year?

In other words, no media-watcher appears to have spelt out the consequences of a development which may go much beyond a change of style at *The Times.* It's not as if there were scores of newsmen and women in *The Times* with major scoops being thwarted by cowardly editors. The rot has set in much deeper than that and entire structures will have to be changed if *The Times*—or any other paper for that matter—has to be resurrected as a newspaper rather than remain a viewspaper.

A simple anecdote will illustrate the point. Around a decade ago, when I was working in *The Times*, Harold Macmillan visited India to inaugurate his publishing firm's printing press in Bangalore. He was an old man, weary, and in his inimitable style, Raghu Rai published a front page picture in *The Statesman,* showing the former British prime minister drooping over his walking stick as he was sitting out a function, blissfully asleep.

DEADENED IMPULSES

It was an evocative photograph, two or three columns across and about six inches deep. Amazed by the brilliance of the portrait, I carried it to the news editor (of the Bombay edition of *The Times*). "Yes," he mumbled, as he scanned the picture briefly. "What a waste of space." Wordlessly, I folded the paper and left. There was no way that such newsmen could be taught the importance of photo journalism. Their impulses had been deadened by tradition. The sheer lack of competition had made *The Times* slack. *The Times* could—and still can—publish what it wants and get away with it because its competitors (in Bombay, at any rate) are so much worse.

In all the fuss over editors coming and going, other throwaway lines have been ignored by interviewers and commentators. As both Girilal and Ashok Jain have pointed out, the management is spending a colossal Rs. 50 crores on introducing new technology in *The Times.* Furthermore, it has introduced new editions in Lucknow, Jaipur, Patna and Bangalore (although the last is said to be suffering at the hands of the well-entrenched *Deccan Herald*). As a consequence its combined circulation has now overtaken that of the *Indian Express.*

The *Express* still proudly proclaims that it has the "largest combined net sales among all daily newspapers in India" on its masthead every morning but this bears little resemblance to the truth, despite the fact that it has unobtrusively added an eleventh edition recently published from the unlikely location of Vizianagaram in Andhra Pradesh. Even a little earlier, *The Times*, with only half as many editions, could overtake the combined circulation of the *Express* every other day.

NEW EMPHASIS

With its new technology and expansion, *The Times* is all set to establish its superiority even more firmly over other dailies in the country. Till now, its chief claim to fame (apart from the ads!) was its edit page. With the toning up of its news reporting, one might well witness a relative decline of editorialising and a new emphasis on investigative reporting. If the *Express*, which was proud to be the largest English chain in the country (if not the world—which other nation has eleven editions of a single paper in English?), can be vanquished with not so much as a drop of blood, the other dailies will have to look out. Already, *The Statesman* is moribund in Delhi, the *Hindustan Times* enfeebled by ineffective editors. Only the rise of the 'provincials'—notably *The Telegraph* in Calcutta, the *Deccan Herald* in Bangalore and *The Tribune* in Chandigarh—stems the rout by the 'metropolitans.'

What retarded *The Times* all these years were the inhibitions on reporting and outdated technology which, among other things, meant that pictures were virtually indistinguishable and editions (especially in Bombay, which is the country's single largest in English) went to bed so early they missed all the late night news (including sports results). With these two handicaps surmounted, *The Times* could become virtually invincible.

It would be a grave mistake if the daily's editorial page suffered as a result. Even if one differs with its views, *The Times* speaks its mind clearly and consistently on most issues, which is more than one can say of other newspapers. The tendency to downgrade the editorial page, almost an article of faith of the 'new journalism,' is fraught with danger. An editorial page need not be full of windy pontifications; terse comment, backed by argumentative and informative articles, is essential if any paper considers itself a serious daily.

Instead of so much emphasis on the personalities involved, one would have liked to see some analysis of whether *The Times* can emerge as a major opposition paper after years, in the Raj and out of it, as the voice of the establishment. What are the factors—within the management and the scribes themselves—which could oppose or promote this process? This would really be the change that media-watchers are talking about, not just the reshuffle of editors.

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HEADSTART

BusinessWorld
July 21—August 3, 1986

The Nirlep saga

The Aurangabad factory of Silver Light Nirlepware: room for growth

A kitchen-sink revolution which began in the early eighties is now spreading all over the country, manifesting itself in the form of a rising demand for consumer durables. Several companies have jumped onto the bandwagon, wooing the Indian housewife with an array of kitchen appliances designed to eliminate the drudgery which is a concomitant of Indian cuisine. While companies such as Pressure Cookers & Appliances, Niky Tasha and Sumeet are easily associated with this visibly successful revolution, no less creditable is the record of the Aurangabad-based Nirlep group of companies (aggregate sales: Rs. 1.38 crores in the year ended 31st December 1985), the pioneer in the domestic market for non-stick cookware.

Currently the Nirlep group consists of two companies which manufacture 29 product lines of non-stick cookware and has emerged as the market leaders in the non-stick kitchenware manufacturing business with a 70% share of the national market. Observes Ramchandra Bhogale (32), a mechanical engineering graduate of Marathwada University and managing director of Silver Light Nirlepware Industries Pvt. Ltd. and executive director of Duraware Pvt. Ltd.: "The idea of non-stick fuel-efficient kitchenware is still catching on and we have a large potential market not only in the metropolitan cities but also in the smaller towns. According to our estimates, one million households in urban and semi-urban India which use pressure cookers and gas stoves are potential customers. Assuming that each household will buy at least two of our products, this gives us a potential market of 2 million units. Against this huge potential demand, our total production was 2,02,163 units in 1985. Quite obviously there is a lot of room for growth."

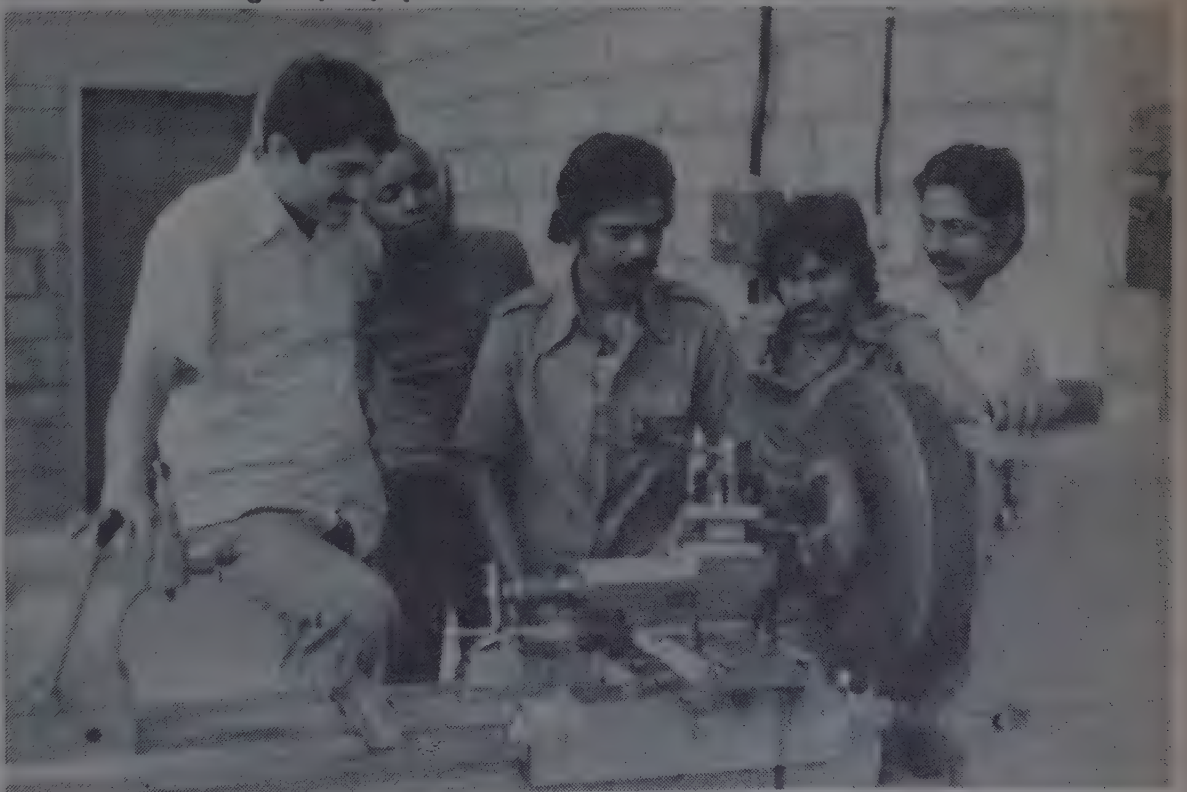
Not that the two companies in the Nirlep group have not been racing to meet this anticipated surge in demand. Since 1981 production has more than doubled from 1.07 lakh units valued at Rs. 60.47 lakhs to 2.02 lakh units valued at Rs. 1.38 crores.

UPHILL STRUGGLE

Though housewives in the West were quick to see the advantages of non-stick cookware in the late fifties, its introduction to the Indian household has been an uphill struggle for the Nirlep group. Because a non-stick saucepan or frying pan is essentially an aluminium utensil coated on the inside with poly tetra fluoro ethylene (PTFE) — a corrosion resistant material — indigenous housewives tended to be wary of this concept. When the first non-stick frying pan was introduced into the domestic market in March 1968, the total production was only 300 units per month and the production remained stagnant at that level for almost two years.

Recalls Y.G. Bhogale (57), uncle of Ramchandra Bhogale and senior partner of Aryan Traders, a Bombay-based partnership firm which is the sole countrywide distributor for Nirlep products: "Our finances were too meagre to permit the employment of a large field staff to sell the product. Even advertising was an expensive proposition for us in the initial stages. It struck me that ours being a new product, we could create a concept awareness among potential customers by staging live demonstrations. Since our

Ramchandra Bhogale (left): potential market of two million units



Y.G. Bhogale at a live demonstration: cost-effective strategy

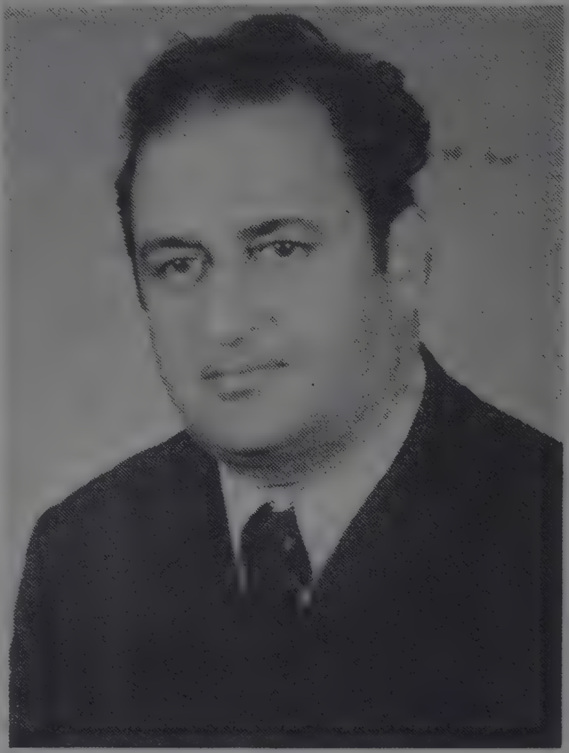
products were to be used in the kitchen, we decided to concentrate our efforts on demonstrations to persuade housewives about the advantages of possessing these wares."

This cost-effective sales promotion strategy of staging live demonstrations of Nirlep products specially arranged for women's organisations not only paid off then but even today constitutes an integral part of the firm's marketing effort. Aryan Traders currently employs seven full time and two part time demonstrators and conducts approximately 150 demonstration sessions annually. The firm's sales promotion efforts are also supplemented by seasonal campaigns in both the print and audio-visual media albeit on a modest scale.

This bifurcation of the manufacturing and marketing functions has helped to make Nirlep an almost generic term for non-stick cookware in India and has enabled the two Nirlep companies to acquire a valuable 70% market share of this still budding market. The bifurcation of functions has also conferred other advantages on both manufacturer and distributor. The arrangement enables the manufacturer firms to give their undivided attention to production and technology upgradation. Though he obviously believes that the efforts of Aryan Traders have helped to boost the sales of Nirlep products, Y.G. Bhogale concedes that the quality of the products manufactured by Silverlight Nirlepware and Duraware have facilitated the marketing function.

WINNER'S OPPORTUNITY

Given the rising popularity of the Nirlep brand of non-stick cooking utensils, it is somewhat ironical that the launch of Nirlep products into the market in March 1968 is attributable more to a historical accident though some credit needs to be given to the acumen and technical genius of the late N.G. Bhogale, founder of the Nirlep group of companies who converted a potential business disaster into a winner's opportunity.



The late N.G. Bhogale

A senior partner of Umasons Equipment & Accessories, a small-scale unit in Aurangabad engaged in the manufacture of X-ray accessories, N.G. Bhogale faced a crisis situation when the imports of stainless steel sheets were banned by the foreign exchange-strapped Union government is 1965-66. Stainless steel sheets being the vital raw material for his partnership firm, Bhogale had no choice but to look for alternative sources o supply.

The idea then came to him that mild steel sheets if coated with corrosion resistant material could be an effective substitute for stainless steel and could be utilised as X-ray accessories. Having been advised by the management of the ICI group that PTFE was an ideal corrosion resistant material for coating applications, Umasons obtained an import licence and placed an order for the same.

By the time the consignment arrived in August 1967, the government policy had been amended to once again permit stainless steel imports, leaving Umasons stuck with an idle stock of PTFE. Bhogale consequently found himself in the unenviable position of having his funds blocked not only because of idle stocks of PTFE but also because he had to incur the cost of refrigerated storage facilities for the material. Rather than allow his stock of PTFE to go waste, technocrat that he was, Bhogale set upon the task of finding some productive use for this material.

Reminisces S.G. Bhogale (54), who now heads Umasons: "My brother came across an imported non-stick frying pan and it aroused his interest immediately. He was convinced that this technology could be developed locally and also that this product had a great future in our country. Without wasting time, he bought some aluminium pans from the market and set up a makeshift laboratory in our premises. For days together he kept on experimenting till he finally managed to coat a few aluminium pans with PTFE which were distributed among friends to get their opinions. The feedback was encouraging and soon, my brother decided to go in for the manufacture of non-stick frying pans."

The decision to introduce non-stick frying pans into the national market having been taken, N.G. Bhogale began his search for a suitable brand name; and the appropriate choice was 'Nirlep' — a Sanskrit word meaning non-stick. Though the product made its entry into the market in March 1968, it was not until late 1969 that a new firm, Silverlight Industries, was promoted to manufacture Nirlep products under licence from Umasons.

FIRST BREAKTHROUGH

This fledgling partnership concern, which commenced operations with a capital investment of Rs.20,000 in a small shed admeasuring 360 sq. ft. in March 1968, made its first breakthrough in 1970, when Brooke Bond, to promote the sales of its Bru coffee, placed an or-

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A unique duo

If currently the Nirlep group of companies — Silver Light Nirlepware Industries Pvt. Ltd. and Duraware Pvt. Ltd. between them have acquired a dominant 70% share of the growing national market for non-stick kitchenware, this development is in no small measure attributable to the dramatic productivity increases attained by the latter company. Duraware Pvt. Ltd. manufactures 40% of the single largest selling product line of the Nirlep group — the non-stick frying pan in addition to flat griddles and the uniquely indigenous non-electric toaster.

Milind & Mohini Kelkar

And behind the impressive growth of productivity in Duraware are a husband and wife team of designer engineers who enabled the company to increase its productivity dramatically since 1984 when they designed and installed special purpose machines for the firm's buffing or finishing operations. "We had identified buffing operations as a major bottleneck in our production process. Since buffing is a very important operation because of the lustre it gives to the finished product, we were on the lookout for a suitable process by which we could increase productivity in this area. In 1984, when the designer team of Milind and Mohini Kelkar came forward with a proposal to design special machines for partial automation of buffing operations, we gave them the go-ahead," recalls Mukund Bhogale (28), executive director and chief executive of Duraware.

The confidence reposed by Bhogale in Milind (28) and Mohini (25) Kelkar, both production engineering graduates of the highly rated Victoria Jubilee Technical Institute, Bombay who are partners of an Aurangabad-based firm Precision Engineering, has paid off handsomely for Duraware. The machines designed and supplied by the Kelkars have helped increase productivity substantially, while significantly reducing the operator's burden. A unique feature of these semi-automated machines is that the operator is protected from hazardous dust particles since utensils are not required to be held continuously against a buffing wheel as in the conventional buffing process.

Consistency & smoothness. According to Milind Kelkar, who quit his job as a production engineer in TELCO in 1984 to promote Precision Engineering in Aurangabad, Indian manufacturers in the utensils industry have traditionally depended on manual labour for polishing operations. "Though reasonably good results are obtained by this method, it is characterised by certain drawbacks such as dependence on operators' skills for both quality and quantity of production, inconsistency in finish and also the hazard to operators from fatigue when working for long periods. We have designed and developed power driven polishing machines which provide a consistent and smooth finish to steel and aluminium utensils at a much faster rate of output," says Kelkar.

Adds Mohini Kelkar who supervises the design function in Precision Engineering while her husband interfaces with the firm's clients: "In the polishing or buffing machines we have designed, the actual polishing or finishing is accomplished with the help of an abrasive belt which runs over a resilient pulley. The mechanism is so designed that the machining head automatically follows the contours or profiles of the utensils to be polished, which are held in a fixture and clamped on the machine using eccentric clamps."

Little wonder that Precision Engineering, which has played a significant role in boosting production in the Nirlep group even while making shop-floor workers' job easier, has quickly won the respect of the appliances manufacturing industry. Currently the firm's clients include such well-known names as Pressure Cookers & Appliances, TTK Pvt. Ltd., and Kishco Cutlery.

der for 3,000 frying pans to be sold in a linked sale at the retail level. Thi arrangement by which Brooke Bond agreed to underwrite the discounts offered by Silverlight Industries was a much needed shot-in-the-arm for the firm which gained considerable exposure in the marketplace.

A second breakthrough which helped to put the firm on a sound financial footing came three years later in 1973 in the form of an export order for 25,000 non-stick frying pans from Poland, subsequent to the company's participation in a trade fair in New Delhi. This export order was also an acknowledgement of the quality of Nirlep products since the overseas market for PTFE coated utensils was then the exclusive stomping ground of American and European manufacturers.

The export order from Poland having ushered in a new era of growth, the partnership firm of Silverlight Industries was converted into a private company with limited liability *viz.* Silver Light Nirlepware Industries Pvt. Ltd., which came into existence on 31st March 1973. The company maintained a steady rate of growth until 1978, weathering the recession years during the Emergency. During this period the managing director, N.G. Bhogale took the initiative in developing new product lines such as a range of saucepans and fully coated frying pans as well as in undertaking innovations in production techniques.

The upswing in the economy in early 1979 leading to a spurt in demand focussed attention on the constraints imposed on the company's production facilities. In order to meet the rising demand for Nirlep products, another company, Duraware Pvt. Ltd. was promoted in 1979. The manufacturing facilities of the new company were located at Jalna, a town 60 km from Aurangabad.

Recognition of the technical genius of N.G. Bhogale came with the execution of a turnkey project in Kenya in 1981. The collaboration agreement between Silverlight Industries and a Nairobi registered company Duraware Products Kenya Ltd. netted a sum of Rs. 6 lakhs in foreign exchange for Silverlight Industries. But shortly thereafter in June 1982, N.G. Bhogale died suddenly, at a time when the domestic demand for Nirlep products was rising exponentially and the group was poised for an era of growth.

RISING DEMAND

Recalls Ramchandra Bhogale: "Faced with a rapidly rising demand all our resources were being stretched to the limit. As a response we expanded our vendor suppliers network to reduce production costs and helped to promote captive an-

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cillary units. Within Silver Light Nirlepware,cells were set up for production planning and material management and our shop-floor supervision was upgraded through the recruitment of qualified engineers." The net effect of these measures on Silver Light Nirlepware Industries was that the company's annual production rose from 91,034 units in 1982 to 1,27,142 units in 1985 without any increase in its labour force of 80 workmen and 15 supervisory and executive personnel.

The other company — Duraware Pvt. Ltd. — too has fared well, concentrating its corporate energies on three popular product lines — frying pans, flat griddles and sandwich toasters. Mukund Bhogale (28), a chemical engineering graduate of Bombay University, in his capacity as a director of Duraware Pvt. Ltd. currently oversees the day-to-day functioning of the plant of this company. In 1984 the company made a great breakthrough in productivity by speeding up its buffing process (see box p.66). As a consequence the production in Duraware spurted from 48,776 units in 1983 to 75,021 units in 1985.

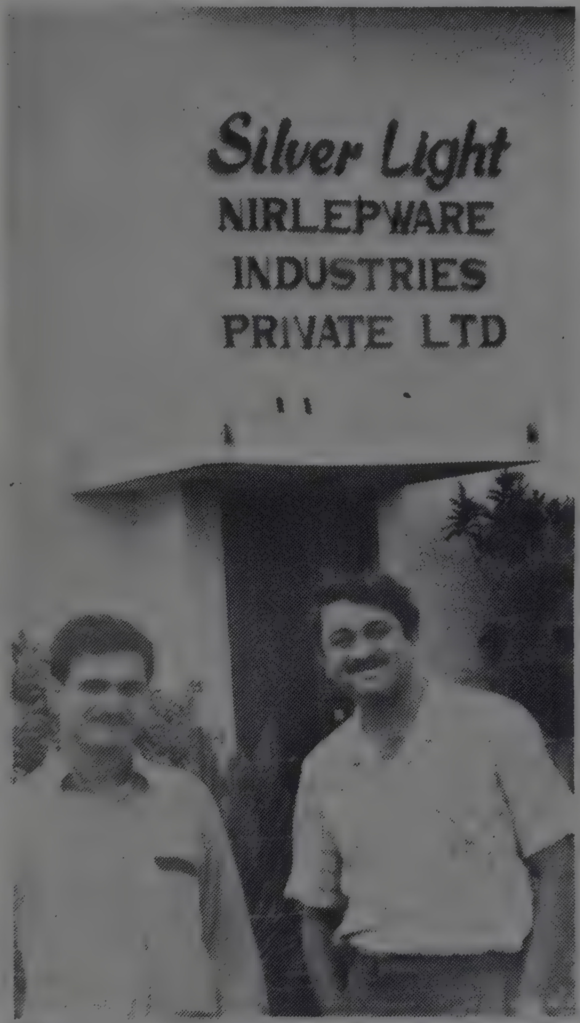
"Right now we are working on installing a coating plant which will enable us to improve the quality of our products as well as bring about a further jump in productivity. Currently coating operations are performed manually necessitating a great deal of dependence on the operator's skill. Since automated coating plants suited to our needs are not manufactured in India, we were considering the option of importing one which would have cost us Rs. 15 lakhs. However, encouraged by the performance of our indigenously designed and manufactured buffing machines, we have commissioned a local team of engineers to design and develop a coating plant for us at an estimated cost of Rs. 8 lakhs," says Mukund Bhogale.

As a consequence of such cautiously prudent management, Duraware, which employs 35 workers and eight supervisors, has the distinction of not having defaulted even once on its loan and interest instalments, having already repaid the Maharashtra State Finance Corporation a sum of Rs. 6.42 lakhs out of a total term loan of Rs.7.80 lakhs that it had been sanctioned in 1980.

More recently, with both firms having progressed beyond the takeoff stage, the promoter-family has commenced the process of professionalisation of the Nirlep group's management. Vinayak Joglekar (29), who was inducted into the board of Silver Light Nirlepware Industries in 1981, coordinates the group's supplementary marketing efforts and has been instrumental in giving a new direction to Aryan Traders' sales promotion strategy. An alumnus of IIM, Calcutta, Joglekar served with high profile companies such as Batliboi and Vulcan Laval prior to signing up with Nirlep five years ago.

ECONOMY EMPHASIS

"The marketing strategy we have evolved is not merely to position our products as up-market kitchenware but to emphasise the economy of using non-stick kitchenware. PTFE coated utensils result in a saving of cooking oil to the extent of 50% in light frying operations compared to steel utensils and we are in the process of highlighting this point in our advertising. The main thrust of our sales effort is now based on highlighting the overall advantages to the entire family in terms of health, speed, quicker washing up, etc., which more than offset the price differential between conventional kitchen utensils and our non-stick products," says Joglekar adding that but for the heavy (170%) import duty levied on PTFE, labour intensity "which is being reduced," and high incidence of sales tax (12% *ad valorem*) the price differential between non-stick and conventional kitchenware would narrow considerably.



Mukund (left) and Ramchandra Bhogale: cautious prudence

The infusion of professionalism in the management coinciding with a buoyant market for consumer goods, has enabled the Nirlep group to expand its already dominant share of the national market for non-stick kitchenware to 70% currently and to cater to larger and more diversified segments of the population. Today Nirlep products are sold through a network comprising 1,800 dealers spread across the country. Yet the popularity of the company's products and the acquisition of the group's steadily increasing market share has not been a painless process.

"To reduce production costs without sacrificing quality, we have really had to stretch ourselves to standardise our designs and introduce new processes. This has not been a facile exercise because even as raw material and other costs have been rising annually, we have had to exercise great restraint in pricing our products to ensure that they remain within the reach of middle-class households," says Ramchandra Bhogale.

Yet despite shrinking margins, by monitoring production costs closely and the induction of professionals into the two companies, the aggregate sales turnover and profitability of the group has increased from Rs. 60.47 lakhs (gross profit: Rs. 14.25 lakhs) in the year ended 31st December 1981 to Rs. 1.38 crores (gross profit: Rs. 22.41 lakhs) in 1985.

DRAMATIC IMPROVEMENT

"Though our present share of the national market for non-stick kitchenware is 70%, even today there exists a large number of housewives who are not aware of the advantages of switching over to cooking in non-stick kitchenware. There are thousands of potential buyers who have to be won over to this relatively modern cooking concept," says V.G. Bhogale (64), chairman of the Nirlep group. "Right now we are concentrating on the installation of a new coating plant which will dramatically improve the quality of output and productivity at our Jalna plant. In addition we expect to augment production at both plants through an active ancillaries development programme. I am quite confident that without making any major capital investment we can increase the aggregate sales turnover of the two companies to Rs. 4 crores in 1988. Once this target is achieved we will consider further expansion of production capacity," he adds.

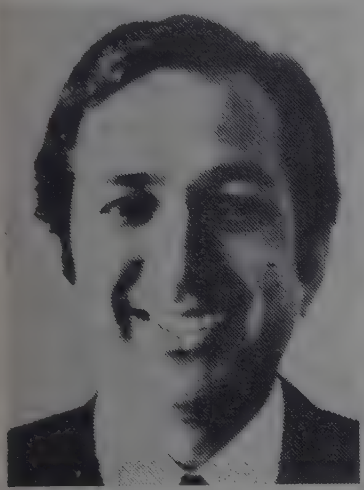
Quite obviously the historical accident which precipitated the promotion of the country's first non-stick or PTFE coated kitchenware company is paying off handsomely.

S. Chandra Kumar

BusinessWorld
July 21—August 3, 1986

Irrelevant antagonism

SUSHIL BAHL



Both the disciplines of marketing and public relations have the same root *viz.*, communications. However, the techniques and methodologies of reaching their target groups, coordinating data and delivering results differ. This dissimilarity of means to attain the same end, i.e. to create a customer, often leads to a debate whether marketing and public relations personnel are partners-in-arms or rivals. To marketing men and women, public relations seems a vaguely designed discipline if one at all, while to public relations (PR) practitioners, marketing tends to be an overly commercial discipline prone to overselling. As a result, marketers and PR practitioners are almost always trying to be one up on the other.

According to Philip Kotler and William Mindale, in their book *Marketing and Public Relations: Should they be partners or rivals?*, there are five possible views on the marketing-PR relationship. The traditional view is of separate but equal functions. Other alternatives allow "equal but overlapping functions" wherein one acts as a support to the other. At the other extreme is the version that merges the two into one whole.

In the Indian context, and in the view of a large number of professionals, the integration of marketing and public relations is essential for the overall communications and sales strategy of an organisation. Marketers and PR practitioners must work in harmony to attain common organisational goals.

PROGRESSIVE STEP

Indeed not only in India but the world over contemporary communications experts are veering around to the view that it is time to review the standard segregationalist approach to marketing and PR communications. Balancing the different areas of expertise of the two is a somewhat tough but progressive step in the right direction. This is why in many business enterprises the current trend is to strengthen the weaker of the two functions. For instance, banks and other service organisations which hitherto tended to concentrate on communicating and promoting their images are now becoming increasingly involved in beefing up their marketing and client services. Similarly a growing number of manufacturing companies are shifting the emphasis in their advertising and promotion from pure product marketing to corporate promotion or public relations.

Consequently, the more prescient among marketers are advancing the view that there is no such thing as a specialised marketing message. By viewing advertising, sales promotion and public relations as an integrated exercise in marketing communications, contemporary professionals are breaking down the artificial barriers which hitherto separated marketing from public relations.

In support of this latter-day development, a New York-based public relations and advertising consultancy firm, Daniel Rohar Associates, has written up a 10-point 'primer' which explains how a better PR communications effort increases the sales of a marketing company.

According to this primer, the integrated discipline that is PR helps a firm to prospect for new markets, especially when it is launching new products, when marketers usually do not have a clear idea of their primary, secondary and tertiary markets. In such circumstances, marketers find it very difficult to target potential customers. On the other hand, a PR programme directed at varied publics is ideally suited to help locate primary markets and identify the market segment in which the strongest sales effort should be mounted. Once such an identification of the primary market has been achieved, the heavy artillery can be brought into action with greater effectiveness.

PERIPHERAL MARKETS

Effective PR also helps a firm to obtain footholds in peripheral markets—markets which have a small number of very select customers—particularly in the case of industrial or capital products and services. Advertising to consumers or customers in such markets is often wasteful and seldom cost-effective. In such a case, a PR effort—by way of a news release or a photo feature on a product's special appeal in selected publications—which reaches such small target audiences directly can be extremely useful in expanding sales volumes.

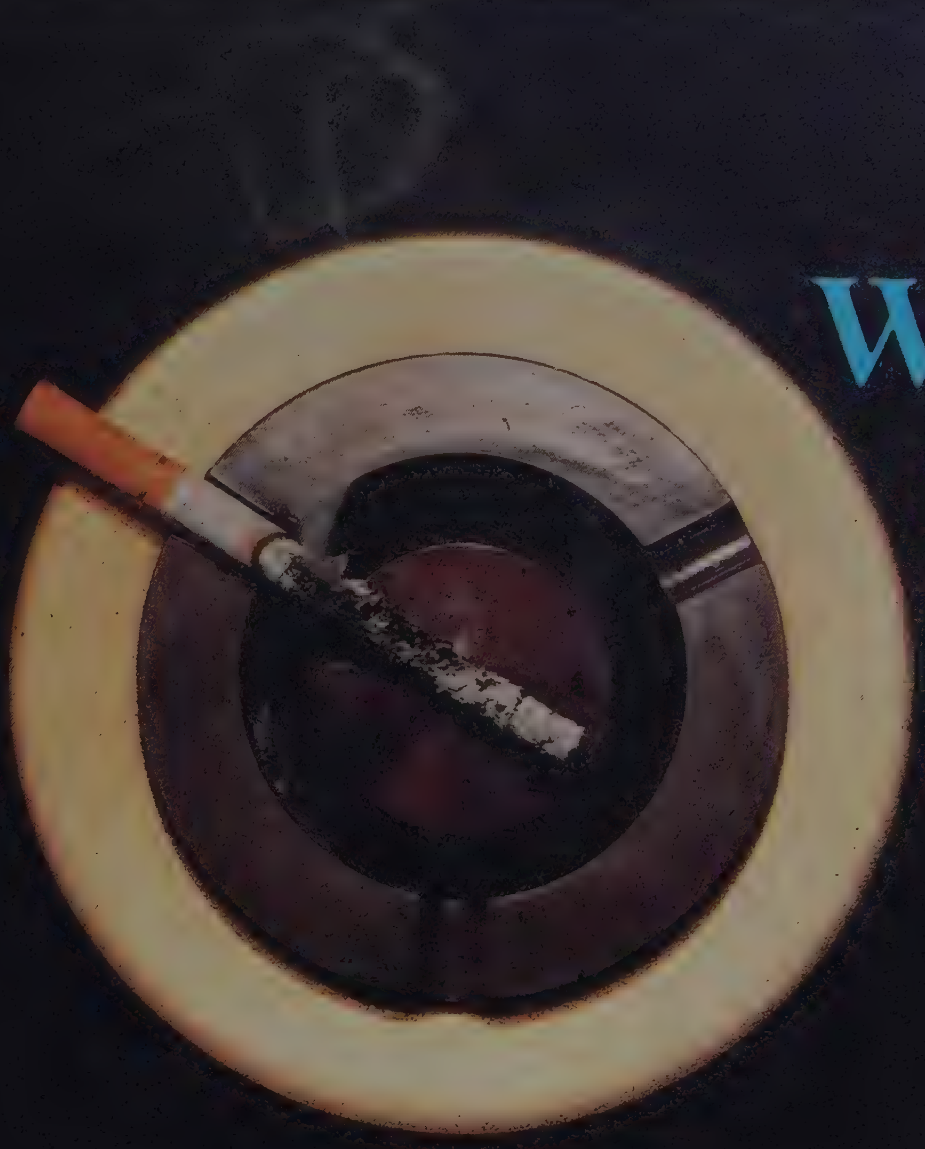
Likewise, the strategem of obtaining testimonials from satisfied users or similar endorsements—a typical PR exercise—can boost a product's image as well as its sales.

Marketers should also bear in mind that a PR effort aids in stretching the promotional rupee by ensuring valuable publicity to a firm's products. Favourable product or corporate coverage can be reprinted and directed to a large percentage of the target audience.

An effective PR manager also establishes the company as a principal source of information, discouraging dependence on outside sources which are often misinformed or adversely prejudiced. Through their media contacts, PR managers can help strengthen this linkage and build upon the positive impressions people have about a company and thereby promote confidence in its products and/or services.

Yet again, by obtaining positive publicity for key top management executives within an organisation, a PR manager can help add a human dimension to an impersonal commercial corporation. Such publicity can also help clear up wrong notions and any misunderstanding that may exist about a corporation by communicating the top management's business philosophy to the company's various publics. Effective PR helps a corporation disseminate information in addition to mere product advertising messages.

In the light of the proven contribution of effective PR to a company's marketing effort, it makes good sense to integrate public relations and marketing strategies. The evolution of an integrated communications strategy built on the pillars of the developed discipline of marketing and the not yet fully evolved discipline that is public relations, is more likely to generate corporate synergy and attain the primary aim of all business organisations: to create and retain a customer. The marketer's condescension towards PR practitioners and the not uncommon antagonism between marketing and PR personnel notwithstanding, it is becoming increasingly evident that they are mutually reinforcing allies who can play a very significant role in the attainment of organisational objectives.



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The pains and pleasures of a Calcutta posting

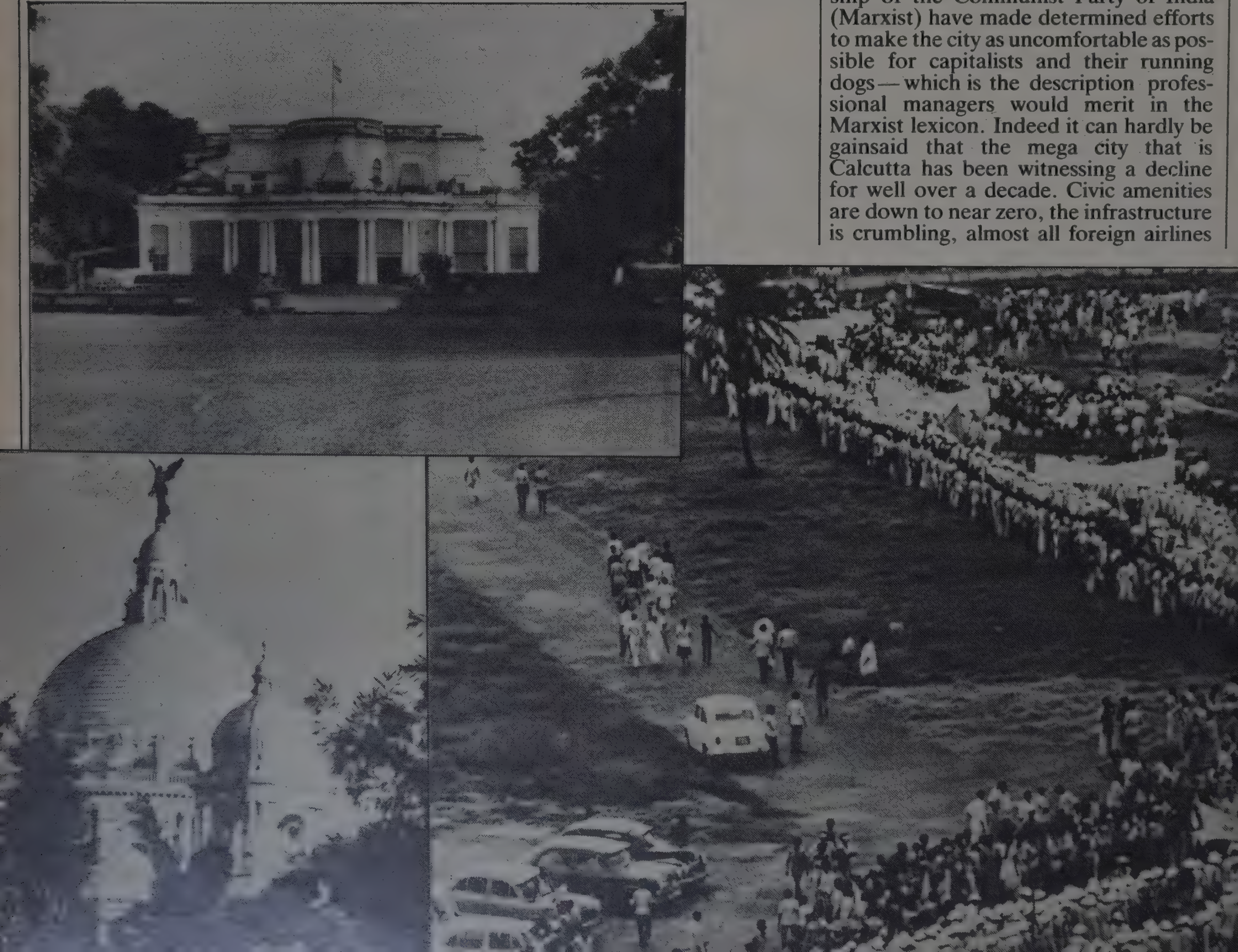
By SUJOY GUPTA

Though as a general rule managers blanch at the prospect of a posting to this capital of Indian Marxism, Calcutta is not a city without its charms. In particular, India's most populous city exhibits a remarkable tenacity to survive and even prosper.

For most managers it is a sentence to purgatory or an invitation to resign. Hard-boiled professionals are known to despair even if not quite die. For managers all over the country, a Calcutta posting is usually a fate worse than death. Generally speaking, for professional and not-so-professional managers in Calcutta the grass appears beckoningly green elsewhere while for managers elsewhere the striking green of Calcutta's famous *maidan* is far from inviting.

But though as a general rule managers blanch at the prospect of a posting to this capital of Indian Marxism, Calcutta is not entirely a city without its charms. Like an exotic wine it is an acquired taste and not a few professional managers, having savoured Calcutta's graces, are the city's voluntary prisoners.

Though Calcutta undoubtedly has its not-so-visible charms, it can hardly be disputed that successive state level administrations and particularly the leadership of the Communist Party of India (Marxist) have made determined efforts to make the city as uncomfortable as possible for capitalists and their running dogs — which is the description professional managers would merit in the Marxist lexicon. Indeed it can hardly be gainsaid that the mega city that is Calcutta has been witnessing a decline for well over a decade. Civic amenities are down to near zero, the infrastructure is crumbling, almost all foreign airlines



have shut shop, the telephone system is maddeningly unreliable, public transportation facilities — the metro notwithstanding — are wholly inadequate.

This list is by no means exhaustive. Indeed, to it might be added the concomitant rise of labour militancy, beginning in the late sixties. Thanks largely to Calcutta, the word *gherao* ("harassment of employers, etc. by workers' preventing them from leaving premises until claims are granted. (f. Hindi *gherna*: beseige),") has found a place in the Concise Oxford Dictionary.

And just how negative an image Calcutta has acquired in the eyes of professional managers even at the topmost levels in industry where all the creature comforts are provided, is indicated by the reaction of Sashi Budhiraja (55), a physics and mechanical engineering graduate of Delhi and Roorkee universities who was appointed chief executive of Indian Oxygen Ltd. after a transcontinental search. "I was returning to India after a few years of stay abroad when I accepted my current position which is based in Calcutta. But I must confess there were some reservations — a negative element about accepting a Calcutta posting," says Budhiraja.

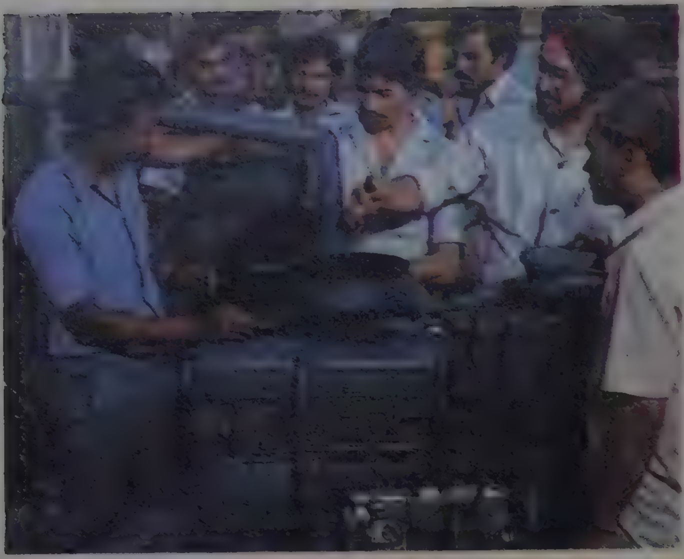
In the 15 months since Budhiraja and his wife, Manorama moved to Calcutta, they have warmed to the city. "Certainly, there are the positive aspects of Calcutta. The city is relatively compact, which reduces commuting time, and its citizens are very warm and friendly. Nevertheless its negative aspects are formidable — poor roads, poor public transport facilities, poor quality of drinking water and generally unhygienic conditions," adds Budhiraja.

Inevitably, these "negative aspects" are reflected in comparative inter-state statistics. Thus the net domestic product of West Bengal multiplied only 2.5 fold between 1971-72 and 1981-82, a growth much lower than that recorded by, say, Uttar Pradesh (3.3), Maharashtra (3.9) or Punjab (3.4). Not surprisingly, jobs generated were fewer: factory employment grew by a paltry 7% during the same decade (or by 0.7% per annum) versus 27% in Uttar Pradesh, 20% in Maharashtra and a whopping 78% in Punjab. And there is nothing to indicate a reversal of these trends since 1982.

As a result, India's most populous city (see box p.73) now finds itself outpaced — and outgrown in popularity — by every other city of comparable standing. In particular the nation's enterprising and upwardly mobile community of managers are increasingly giving a wide berth to Calcutta, simply because they are convinced that in this benighted, Marxist-ruled city the chances of furthering one's career prospects, which is best done by doing a good job, are slim. With the passage of time, personnel managers in the head offices of several Calcutta-headquartered companies are finding it well nigh impossible to persuade managers in other parts of the country to accept a Calcutta posting even with a promotion. Which is indeed a telling commentary of the fear of Calcutta within the executive community since a head office posting usually means more power and a chance to move up the executive ladder.

The experience of the Metal Box India

The contrasts and paradoxes of Calcutta. Inset: Budhiraja



Train with a technologist

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A company which has a spectrum of comprehensive and specialised training programmes. Offering a sound, practical foundation for new entrants and continually updating the knowledge of existing employees so that they keep pace with the advances in technology.

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TATA STEEL

The first and still the foremost

Ltd. top brass in recent times provides an apposite case study of the widespread aversion to a Calcutta posting within the country's professional managers' community. The matter being "delicate," senior managers at Barlow House — the company's posh head office on Calcutta's fashionable Chowringhee — are loth to speak for the record on this subject. But the fact is that managing director Kuldip Puri and his top management colleagues have been confronted with the predicament that not a single executive of the company has been found willing to take a transfer to Calcutta. Only those who were offered the carrot of a substantial promotion agreed to move. On the other hand, they have had no instance so far of a manager declining to move out of Calcutta.

Like other multinational affiliates Metal Box India has the justifiable reputation of facilitating the discharge of company executives' duties by providing them with a generous range of perquisites. Indeed it is generally believed that the salaries and perquisites which Calcutta-based companies offer their executives tend to be more generous than those offered by companies based elsewhere. Despite this, very few managers seek careers and opportunities in the city.

"Executives determine their job preferences largely on the basis of remuneration packages offered and career growth prospects. The place of posting is certainly not their first consideration," comments an experienced Calcutta-based recruitment consultant who prefers anonymity for professional reasons. Yet, as the experience at Metal Box shows, this rule does not seem to hold when the place of posting is Calcutta.

INFRASTRUCTURAL DECLINE

B.S. Chandiramani (52), hitherto Chloride India Ltd.'s resident director in New Delhi — a non-board position — who accepted a transfer to the company's head office in Calcutta last January as wholetime director in charge of marketing, offers an explanation. "I lived in Calcutta for 11 years until 1976 and I loved it. But by then the rot had already begun to set in. In subsequent years, I kept on visiting the city three or four times a year and on every visit I noticed further infrastructural decline — though perhaps one notices more as a visitor rather than a resident. A dislike for Calcutta began to grow in my mind, although I held nothing against the city and nor was I biased," says Chandiramani candidly. "I wasn't terribly excited about coming here. If I had to come on a transfer to an equal position I might not have wanted to," he admits.

India's most populous cities

	Population (millions)
Calcutta	9.19
Bombay	8.24
Delhi	5.73
Madras	4.29
Bangalore	2.92
Ahmedabad	2.55
Hyderabad	2.55
Pune	1.69
Kanpur	1.64
Nagpur	1.30

Source: Census of India 1981

Chandiramani lists several woes of life in Calcutta: "terrible" telephones, waterlogging, power cuts and general all-round shabbiness. "In Calcutta a road or pavement is dug up and then never repaired. The approach to Tollygunge Club, for instance, is completely dug up and one doesn't see any sign of restoration work at all," he says.

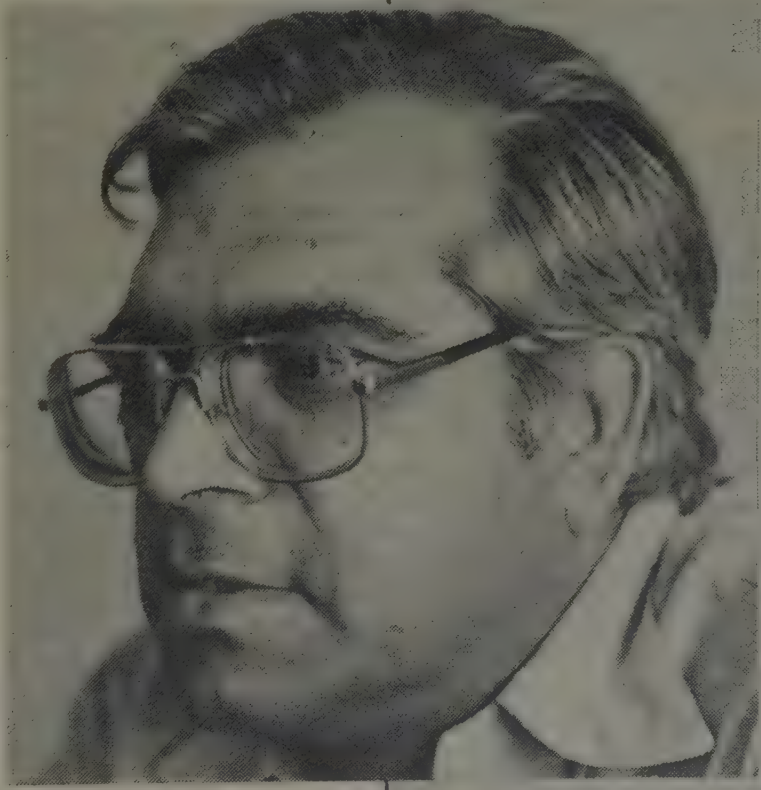
But having said this, Chandiramani also concedes that Calcutta is "unbeatable as far as executive life is concerned," given its clubs, entertainment and social activities ("parties here are very informal"). And it seems the Chandiramanis have settled down quite comfortably in Calcutta after all. "I play golf every weekend and my wife plays bridge — her old friends are all still here," he adds.

Chandiramani's comments highlight the pains as well as the pleasures of a Calcutta posting. It can hardly be controverted that India's most populous city is inexorably sliding into civic anarchy. But to a great extent, Calcutta's community of organised sector professionals is insulated from the infrastructural inadequacies which make life for the other 99% an unattractive, if not miserable, prospect.

Thus the occupants of most private residences and apartment buildings in the city's manager-infested southern residential districts have installed standby generators for themselves, which make them immune to power cuts. With their own cars to ride, neither do Calcutta's managers need to depend on the city's pitifully creaky public transportation system. And unlike Delhi or Bombay, riverine Calcutta is a compact city where markets, offices, clubs and theatres are usually within 10 minutes' driving distance or less from one another.

With distances between their homes and offices rarely exceeding five or six kilometres, it is not surprising that many managers working in Calcutta are able to enjoy the near-extinct privilege of coming home for lunch. The city's compact geography offers yet another advantage. Within a daily run of, say, only 40-50 km, the family car can run several errands.

Not surprisingly, only an estimated 15%-20% of the 60,000 or so cars in Calcutta are self-driven. It costs a modest Rs. 550-600 per month to hire a driver. Thus it is not unusual to find that



"I lived in Calcutta for 11 years until 1976 and I loved it. But by then the rot had already begun to set in. In subsequent years, I kept on visiting the city three or four times a year and on every visit I noticed further infrastructural decline"

B.S. CHANDIRAMANI

Breakfast on the lawns of the Tollygunge Club. Inset: Saigal

even middle level managers can afford to maintain chauffeur-driven motorcars, enabling their wives and children use of the same during office hours.

Apart from tangible advantages such as these, some managers resident in Calcutta also perceive some intangible rewards of a Calcutta posting. "Executives are a better respected community in Calcutta than in the other metropolitan cities of this country," observes S.P. ('Sat') Saigal (56), retired finance director of Brooke Bond India Ltd., who has preferred to stay put in Calcutta after his retirement three months ago and has since joined the JK group of industries as an adviser. Explains Saigal: "Here, even senior industrialists co-mingle with the senior executives and accept them as professional equals. This acceptance is far less in Bombay and still less in Delhi or Madras."

A CERTAIN WARMTH

Having lived in Calcutta for close to three decades, Saigal admits that he is saddened by the extent to which the city's infrastructure has deteriorated. But in his view, the intangible plus points in favour of India's "cultural capital" outweigh the tangible negative points. "The city has the culture of the arts behind it. Calcutta exudes a certain warmth. It is not hostile because its citizens readily accept strangers. Here, society and the general public are more hospitable and rudeness is rare. Old-fashioned chivalry and respect for women is almost wholly absent in Delhi and just about exists in Bombay; but Calcutta is still civilised in this regard," he says.

Both Saigal and his wife list several conveniences which make life in Calcutta more than barely livable. That distances are less is an obvious plus point. They point out that Calcutta rates very high in terms of safety and security. Muggings, molestations, chain snatching incidents and so on are rare. In addition, says Mrs. Saigal, domestic help is relatively readily available. Also, from the housewife's point of view, she feels that the cost of living in Calcutta "is certainly lower than in other metros."

Yet another convenience is that rented accommodation — an impossibility in Bombay — is not "too difficult to find." "Of late, the power situation has been much better, some roads have been restored, the new eastern by-pass has reduced the distance to the airport to a mere 25 minutes and the infrastructure in general shows definite signs of improvement," she adds. And since Calcutta offers them "a peaceful life and a reasonably comfortable home" albeit rented, the Saigals find no reason for centering their post-retirement plans around New Delhi where they have their own house.

By no means are the Saigals the only ones who are convinced that the pleasures of a Calcutta posting outweigh its concomitant — and inevitable — pains. P.P. Bagchi (54), an Agra born and bred son of the soil moved home to Calcutta last February ("this is the first time I've come here to stay and not to visit") after he was persuaded by the Birlas to join India Steamship Ltd. as its executive president. "I find Calcutta an agreeable city. The environment is one of warmth due to the congeniality of the people. Also, there are some fine libraries and book shops. A lot of cerebral activity is going on all the time. I'm looking forward to a very rich experience here," says Bagchi, who has spent most of his working life in Bombay and New Delhi both in the private and public sectors.

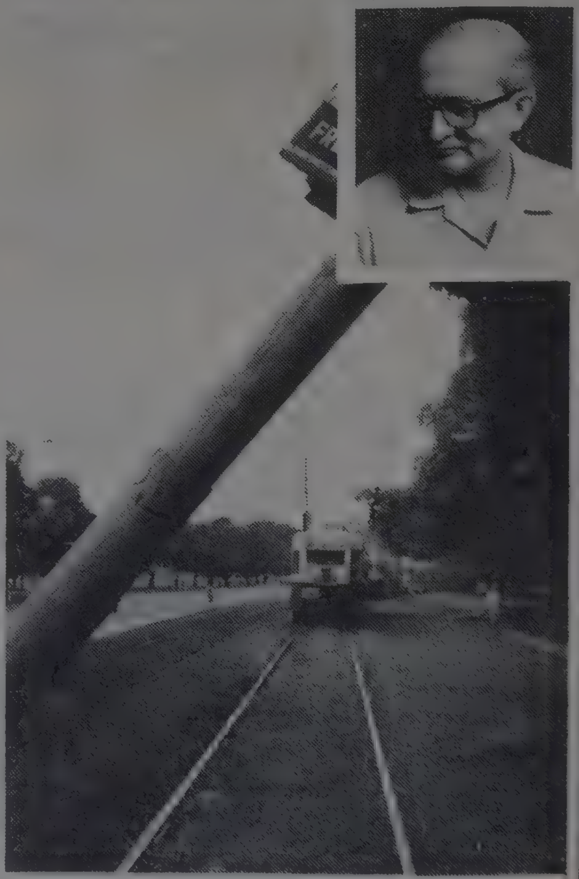
PROFESSIONAL CHALLENGE

Another recent emigre to Calcutta, V.S. Dasnurkar (56), who joined Dunlop India Ltd. six months ago as its general manager (personnel), endorses Bagchi's view that executive life in Calcutta is not as bad as it is usually depicted. A Pune educated mechanical and electrical engineer, Dasnurkar has spent 35 years in Bombay during the last few of which he was vice president (personnel) of Premier Automobiles Ltd. The prospect of experiencing a "rich professional challenge" motivated him to lock up his ownership flat in Bombay and travel across the subcontinent to the country's most dreaded metropolis.

"The level of employee productivity in West Bengal compares very unfavourably with productivity in other parts of the country. As an engineer, productivity is a factor which I always keep in the forefront of my priorities in the corporate personnel management areas. When I was offered a job in Calcutta, I thought I would experience a tough professional challenge. I'm looking forward to a lot of job satisfaction in this city," says Dasnurkar.

Meanwhile, Dasnurkar has settled quite comfortably in Calcutta although he does not know the local language at all. He has joined a classical music circle

Beauty & decay. Inset: Bagchi



and has met others with similar interests. Although Dasnurkar is irritated by the city's traffic congestion and finds it irksome that "some roads are too dark to take evening walks," he has no major complaints about the quality of life in the city. "I've been favourably impressed by the informal lifestyle of Calcutta's citizens. Bombay might have its glamour, but life there is terribly mechanised. In that city, one doesn't see one's neighbour for days or weeks," he remarks.

Indeed, several senior managers temporarily posted to Calcutta have found the city congenial enough to put down roots. The example of Sat Saigal has already been cited above. Two more examples are Indra Malkani, former managing director of Shalimar Paints Ltd., and V.K. Parashar, chief executive of Stone Platt Electrical India Ltd. Both have bought homes of their own in this much criticised city.

'Naturally, there are no takers for civic locations where one or more of the attributes cited above is found wanting. Calcutta usually fails to attract upwardly mobile professional management talent because it fails the very first test, *viz.* it is not a growth centre'

Though there may well be some magic in the Calcutta air, it is nonetheless true that most of the nation's managers haven't noticed it. Comments the senior Calcutta-based management recruitment consultant quoted earlier: "There is no doubt that Calcutta is an unpopular city with executives, particularly with junior executives. When we advertise in the national media for junior management vacancies in Calcutta, we hardly get any response from outstation candidates."

WANING POPULARITY

Nevertheless, this consultant — who ought to be in the know, considering the reputation of his firm — is quick to point out that Bombay, too, is fast losing its popularity as the dream destination of professional managers. The reason for this is almost solely the acute housing problem in that city. According to him, the most popular city in India today as far as managers on the move are concerned is New Delhi, followed by Bangalore. Bombay rates third, followed by Madras and Calcutta, in that order. In other words, given a free choice, this would be the likely locational preference list of the typical upwardly mobile and aspiring business executive.

According to head-hunting industry professionals, those in the executive job market give priority to several factors in choosing a location in which they would prefer to work. "An ambitious manager would like to move to where the market is," says one of them. In a growth centre, where new units are opening up and existing ones are expanding, it is natural to expect as a corollary that managers' career options and prospects will also be better. This explains the growing popularity of Bangalore. Once career growth prospects are reasonably assured, the priorities move to the next level involving factors such as cost of living, personal and social amenities, facilities for children's education and so on. The growing unpopularity of Bombay is attributed to the widely accepted fact that although the city offers career advancement opportunities next to none, it does not offer a commensurate standard of living. "The prospect of commuting for an hour each way to and from work is a strong disincentive to living in Bombay if one has a choice," says a recruitment consultant.

The crux of the matter is that the contemporary Indian manager *does* have a choice. For professional managers, the present-day job market is a buyers' market. In particular, middle to senior level managers with good track records are finding it increasingly easy to walk out of one job into another — which is one reason why job-hopping is on the rise. And naturally, there are no takers for civic locations where one or more of the attributes cited above is found wanting. Calcutta usually fails to attract upwardly mobile professional management talent because it fails the very first test, *viz.* it is not a growth centre.

Monitors of Calcutta's corporate and industrial scene agree that the city's decline began in the late sixties. It might be recalled that the first communist government was sworn in 1967 when the citizenry of West Bengal, in the exercise of its electoral wisdom, threw out the then ruling Congress party. Unfortunately, the industrial relations climate in the state touched an all-time nadir shortly thereafter. As strikes, *bandhs* and *gheraos* become depressingly common, multinationals (*viz.* Philips, Union Carbide, Britannia, Caltex, etc.) as well as one indigenous business house (*viz.* the Thapars) chose to move their headquarters to either Bombay or Delhi. In addition, the number of new private sector ventures promoted in Calcutta during the last 19 years also dwindled to insignificance.

DISFAVOUR & AVERSION

So badly was the confidence of industry shaken that even the last decade of stability has not restored its faith. Old prejudices die hard, and the initial disfavour with which entrepreneurs and managers regarded Calcutta has hardened into an aversion. This, according to not a few business analysts, explains why hardly any manager given a free choice wants to work in Calcutta.

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The decline of Calcutta

Some senior managers in Calcutta are first hand witnesses to the decline of the city which was India's business capital until as recently as the early sixties. On the assumption that an individual who has been in and out of Calcutta during the last quarter century or so will make a better witness than a permanent resident, BusinessWorld *chose to speak to K.V. Krishnamurthy (52), member of the board of the India Tobacco Division (ITD) of the Calcutta-headquartered ITC Ltd. Krishnamurthy signed up with the company in Calcutta in 1958 and was stationed there until 1961. He came back for a second stint from 1973 to 1976 when the city's dog days had begun. Posted out again in 1976, Krishnamurthy has been a resident of Calcutta since 1982.*

In conversation with Sujoy Gupta, Krishnamurthy recollects life in Calcutta in the earlier years of his stay and describes its degeneration, as he has seen it. Excerpted are several paragraphs of his narration.

"When I came to live in Calcutta in 1958 it was probably the finest city in the country. In comparison, Bombay was positively primitive in those days. The infrastructure in Calcutta was far superior. The roads were very clean — in fact, it was the only city where the roads were actually washed every morning, a practice which mysteriously stopped in the mid-sixties. The pavements were clean and well paved. Tram tracks were well maintained with lawns between the tracks and on adjoining strips. The roads were so well lit that one didn't need to switch on one's headlights while driving at night. Cinema theatres — Metro, New Empire, Lighthouse, Globe, Minerva, Elite and so on — were of international standards. The city's many restaurants — Magnolia, Trinca's, Mocambo, Firpo's and many others, some of which have since closed down — were spotlessly clean and the service was the last word in courtesy.

Engineering centre. Two and a half decades ago, major industrial relations problems were rare. Skilled workmen were easily available and Calcutta was an engineering centre to reckon with. Most of the nation's chemical engineering companies, for instance, were located in the city. As far as power availability was concerned, the Calcutta Electric Supply Corporation (CESC) was the last word in power supply. It was cheap, and CESC's service was of the highest standard.

Krishnamurthy: eye-witness report

When I was posted to Calcutta for the second time in 1973 and returned to the city after an interval of 12 years, I found a marked deterioration of services and public utilities, *viz.* the *maidan* area and the Strand, cinemas, theatres and in general. The route from the airport was also most unwelcome. Traffic snarl-ups were common during the day because demonstrators of one kind or another hogged the thoroughfares. I recall that I stopped going both to restaurants and to the cinema — the latter after I encountered large rats in one of them! In short, while the boom had begun in Bombay, and Delhi was looking prettier, Calcutta was clearly going downhill.

I returned again in 1982 after a six year break. In these four years, I haven't been to the movies even once because the cinemas are so seedy. This time I found that even Calcutta's great clubs have become shabby — the general attitude towards keeping everything spick and span is just not there. The surroundings of the historic Victoria Memorial are pathetic, with its spacious grounds chock-a-block with rubbish and litter. Noise pollution in the city is markedly higher. In another sense too, the people are loud: concern for others has conspicuously diminished.

By way of infrastructure, the suburban trains are wrecks compared to the trains in Madras or Bombay. The city is much dirtier than it was 25 years ago. All the parks are gone — completely run down. The attitude of labour makes one sad. Labour seems to know only its rights — not its duties. Its resistance to rationalisation has compounded problems, given that rationalisation goes hand-in-hand with modernisation.

Quick recovery. My fundamental diagnosis is that Calcutta is run down only because of the lack of industrial growth. If industry grows in a very big way — and this growth is supported by the political parties — wealth creation activities will resume immediately. Since there is no dearth of potential in this city, Calcutta's recovery in a conducive environment could be very quick.

I still have six years to retire. I hope Calcutta will be well on its way to a turnaround by the time I say goodbye to this city."

Perhaps the most endangered species in Calcutta and West Bengal in the last two decades has been that of entrepreneurs who have invested their life's savings in immovable assets in the city, have much more to lose than professional managers. One entrepreneur industrialist who agreed to speak for the record in this connection is Bharat Hari Singhania (48), the Calcutta-based scion of the Singhania family which runs India's third largest business house, *viz.* the JK group (estimated aggregate sales turnover: Rs. 1,200 crores per annum). Although born in Kanpur, Singhania moved to Calcutta in 1950 and has lived in the city since. A graduate of St. Xavier's College, Calcutta, he is very much an integral part of Calcutta's industrial community having *inter alia* served as president of the Indian Chamber of Commerce and the Indian Jute Mills Association. Singhan supervises the eastern India operation of the JK group, the newest venture o which is a Rs. 73 crore synthetic fibre plant in Orissa due to be commissioned later this year.

"In the matter of transferring mana-gers to Calcutta, our experience in the group has not been a happy one. When manager is promoted, he may agree t come. Otherwise, the chances are that h

"In Calcutta, prospects for career growth have diminished because industry has not grown. The works manager of a Rs.10 crore unit would rather move to, say, Gujarat or Karnataka where his unit is likely to grow into a Rs.50 crore one tomorrow"
BHARAT HARI SINGHANIA

will not agree and for reasons of morale we generally don't insist," says Singhania. "For young and well qualified managers, the career opportunities available elsewhere in India are usually far better. The bright manager can walk into a company in any other city because the demand for performers is high. In Calcutta, prospects for career growth have diminished because industry has not grown. The works manager of a Rs. 10 crore unit would rather move to, say, Gujarat or Karnataka where his unit is likely to grow into a Rs. 50 crore one tomorrow. Why should he stay on in Calcutta if the chances are that the Rs. 10 crore business will remain a Rs. 10 crore business for the next decade? Why should he sacrifice his own career prospects by working in a no-growth area?" he asks.

LOST CREDIBILITY

Singhania admits that there have been instances when managers have resigned from JK group companies when the issue of taking a transfer to Calcutta "was pressed beyond a point." According to Singhania, human memory takes a long time to erase bad experiences. In the late sixties and through the seventies, Calcutta lost its credibility for the simple reason that personal security and dignity became the major concern of professional managers. Those were the times when a *gherao* — or unlawful confinement — could continue for days, and the police were under instructions not to "interfere" in trade union matters. Not surprisingly, few managers saw a respectable future for themselves in Calcutta. Consequently, there has been a steady drain of management talent from the city.

Nevertheless Singhania believes that Calcutta's dark age may well be over. "There is a very positive recognition all around that the business environment must change. The state government has been following a consistent policy of encouraging the growth of industry and there is recognition that results, not pronouncements, are the need of the hour. If this attitude is maintained a large number of enterprises are likely to be promoted in Calcutta and West Bengal in the near future. Once this process of regeneration starts, current inhibitions about Calcutta will automatically disappear," predicts Singhania.

A "loyal Calcuttan," Singhania somewhat paradoxically believes that Calcutta will never fell prey to "a materialistic culture" even if it attains economic success."It is the most pleasant city to live in from the point of view of human relations.There is a premium on values here — not money but human values," he says.

Yet, given his long association and deep involvement with Calcutta, Singhania is not an impartial adjudicator of the joys and travails that the city offers India's small but valuable community of professional managers. Therefore perhaps the most objective viewpoint is that of an expatriate. A resident and yet a visitor, the expatriate manager is probably best positioned to pass an unbiased verdict on the human costs and benefits of a Calcutta posting.

David Gregoire (37), the Calcutta-based assistant manager of the Hong Kong Bank recalls being "shocked" when he was informed in March 1985 that he was being transferred from Hong Kong to Calcutta. Gregoire has worked at the bank's branches in several West Asian countries including unexciting ones such as North Yemen, so the prospect of moving to an unknown country and city was not the upsetting factor *per se.* "I'd heard varying reports on Calcutta — mainly about its filth and poverty — from colleagues who had been here. One of the first things I did was read Geoffrey Moorhouse's book *Calcutta* to prepare myself," recalls Gregoire, a British national.

EASY LIFESTYLE

Once he landed in Calcutta and took stock, Gregoire found to his no doubt pleasant surprise that the city was "not half as bad" as he had apprehended. "Calcutta's lifestyle is generally easy. I had no problems in settling down. As an expatriate banker, I developed an easy and good camaraderie with the local business community. There are good book shops, good facilities for golf, pleasant clubs and very few bugbears apart from the lack of communication channels with

Calcutta's new underground railway: inhibitions could vanish with growth

Calcutta's unique clubs

"In the spacious, high-ceilinged dining room the tables are covered with gleaming white damask. On them sparkles highly polished silver cutlery. Turbaned bearers wearing white gloves, albeit somewhat soiled, serve with practised punctilio an elegant five course meal. The diners look equally resplendent. The men wear lounge suits, the ladies their finery. The scene is typical of one of the many clubs of Calcutta, and could, with a little imagination, well be set in London."

These lines are not taken from one of Kipling's or Forster's books penned in the days of the British raj.This is a *BusinessWorld* description of club life in contemporary Calcutta (*BW*, September 28-October 11, 1981).

The clubs of Calcutta are perhaps the most well appointed in the country. One can step right off from the hustle and bustle of city life into a world where traces of the old graces are very visible. These tranquil oases — into which entry is not half as difficult as it is into clubs in Bombay or Delhi — are very much a part and parcel of the civilised pleasures which Calcutta offers its better heeled citizens. Almost all Calcutta-based managers and bureaucrats are members of at least one club and the service and recreational facilities which they and their families enjoy are probably unmatched anywhere else in the country.

A sanctuary. There is an interesting explanation as to why so many clubs sprang up in Calcutta in the 19th century. The geographical location of Calcutta — the city was founded by the English merchant Job Charnock in 1690 — is such that there are no places such as beaches or hills to get away to. Thus did the clubs come into being, to provide a sanctuary from the hustle of the office and domestic ennui.

Old-timer managers in Calcutta take the pleasures of club life for granted.But one has to be confronted with the decade-long waiting lists to clubs in Bombay and Delhi and their astronomical entry fees, to appreciate the value of Calcutta's clubs for all seasons.

Given below is a list of Calcutta's major clubs and the facilities they offer:

Calcutta Club:	Tennis, swimming, billiards, cards, library, dining, bar.
Bengal Club:	Library, dining, bar.
Saturday Club:	Swimming, tennis, squash, badminton, billiards, cards, table tennis, library, dining, bar.
Tollygunge Club:	Swimming, gymkhana, racing, riding, tennis, cards, golf.
Royal Calcutta Golf Club:	Golf, bowling, dining, bar.
Calcutta Cricket & Football Club:	Cricket, hockey, rugby, cycle polo, football, lawn tennis, badminton, darts, cards, bar.
Calcutta Swimming Club:	Swimming, dining, bar.

Other clubs include the Royal Calcutta Turf Club, the Calcutta Squash and Racquets Club, the International Club and the Hindustan Club.

"But Calcutta has one great virtue: here you don't need to be part of an expatriate community in order to feel at home"

DAVID GREGOIRE

the outside world. You can't hop on to a plane and fly off to Europe, for instance, as you can do from Bombay or Delhi. But Calcutta has one great virtue: here, you don't need to be part of an expatriate community in order to feel at home," says Gregoire.

It could be argued, of course, that if the Indian professional manager is already insulated from some of the harsher realities of life in contemporary Calcutta, the expatriate manager is likely to be even more so. Yet the truth is that Calcutta is a city which is accommodating enough to make all types and sorts feel at home. And if there are problems, it also allows solutions — albeit to those who can afford to pay for them. For not a few professional managers who have found ways and means of beating the infrastructural deficiencies of Calcutta (see Spotlight story 'Managing against the odds in contemporary Calcutta,' *BW* June 24-July 7, 1985), the city which exhibits a cheerful tenacity to survive is not without its charms.

Comfortingly, political and business analysts in Calcutta are increasingly veering around to the view that West Bengal is showing signs of an incipient economic turnaround. The promotion of the massive Rs. 1,000 crore joint sector project Haldia Petrochemicals Ltd. — industrialist Rama Prasad Goenka's largest venture yet — within the state is a pointer of the shape of things to come. The ruling Left Front government has almost entirely shed its confrontationist stance with industry and for the first time in more than a decade, there is the promise of peace, growth and stability in the industrial sector.

If this promise is matched by performance, then Calcutta's dark age could well be over before very long. It has taken almost 20 years for the political leadership in benighted West Bengal to appreciate the validity of the obvious proposition that the wages of political populism and ideological excesses are economic stagnation, rising unemployment and social despair.

One can only hope that the city's *netas* and *babus* realise that while professional managers will always be in a position to counter-balance the pains of a Calcutta posting with the cerebral, emotional and physical pleasures that the ailing city still offers, to the vast majority of Calcutta's estimated 10 million population, this option is not available. BW

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LETTER FROM PARIS **PAUL BETTS**

Privatisation fever

London merchant banks and large Wall Street investment houses are indulging these days in a "summer beauty contest" as they call it in Paris. All are busily promoting their services and talents to try to cash in on the opportunities which the French conservative government's industrial and banking privatisation programme is likely to offer.

Kleinwort Benson shows to select visitors at its discreetly opulent town house in the well-heeled 16th *arrondissement* of Paris a list showing that it has been by far the most active merchant bank involved in Britain's privatisation programme. It is also forging a close but not exclusive association with Credit Commercial de France (CCF)—the large French state bank regarded as an early candidate for privatisation—to help strengthen its chances.

Good connections. Morgan Grenfell, which has traditionally had links with the French Indosuez banking group, has just hired as chairman of its Paris subsidiary, Mr. Jean Pierra Souviron, one of the architects of French industrial policy during the Giscard d'Estaing presidency who has good connections with the new right wing government.

Most of the other leading British merchant banks have also been training their sights on France, sending representatives over with increasing regularity on the London-Paris air shuttle to see what business they can pick up. The British embassy in Paris and the UK treasury in London have also been promoting British banking services abroad.

For international banks and merchant banks, privatisation offers four opportunities. The first two involve advising the government on one hand and companies and banks to be privatised on the other. The third business is helping to put together groups of shareholders to acquire a major or controlling stake in a newly privatised group.

The fourth role international banks can play in French privatisation is in the distribution, placement and underwriting of new equity abroad.

Investment bankers are however divided over the opportunities offered in advising the French government on privatisation. One school believes that there is only a limited role for foreign banks since the French treasury dearly wants to mastermind the whole privatisation programme itself.

Moreover, the French government seems to be extremely suspicious over the real motives of foreign banks. Although the government plans to offer about 15%-20% of the new shares of privatised companies to foreign investors, it is anxious to ensure it knows who is buying the shares abroad.

But another school of British bankers believes that the French government is open and indeed seeking advice. However, all bankers agree that no foreign financial institution will be able to lead or co-ordinate the whole privatisation of a French company or bank. French financial institutions are expected to lead privatisation projects. But many could be associated with foreign banks.

In this respect, a bank such as Lazard Freres, which is wholly French but can draw heavily from its sister banks in the UK and US, is in a good position.

But if international bankers and auditors see many appetising short term and longer term opportunities in French privatisation, they are also showing increasing signs of frustration over the delays in the implementation of the government programme. The timetable of privatisation has been steadily slipping and the government appears in no hurry to rush through privatisations of companies and banks.

Main concern. For the London and Wall Street investment banks the main concern is to find out what is happening on the privatisation front in France and to prepare to seize opportunities when they emerge. "Information is the name of the game," says a British merchant banker.

"It is very important to be known by the French authorities not only to secure business but also to find out what is going on," he added. "With about 65 companies to be privatised of which between 12 and 15 are major industrial or financial groups you have to know where to concentrate and direct your marketing efforts. You must find out which company is doing well and which will be privatised first. And naturally you must keep an ear close to the ground to find out the latest gossip on the state chairmen who will survive and those who will be dropped," he adds.

UNITED STATES

America's business heroes

In the trend-setting US, the "new capitalism" ushered in by the Reagan administration has not only changed the mood of the corporate sector but also the attitude of society towards business. With patriotism and success having become fashionable once again, the pressure to perform is being exerted on the nation's managerial fraternity in particular. Profit margins are under a savage squeeze owing to foreign competition and deregulation. Corporate raiders and predators have triggered off a spate of fightbacks, mergers or restructurings affecting even the best-known companies. The heat is certainly on in the corporate sector.

Out of the dust of this tumult a new breed of heroes—corporate celebrities—have walked into the nation's consciousness. America's business celebrities, who have won for themselves awe and admiration as much for genuine accomplishments as for interesting personal qualities, are rapidly emerging as role models for millions of technologically turned-on young citizens of the world's most adventurous nation. As a result, business personalities such as T. Boone Pickens, Armand Hammer, Victor Kiam and Lee Iacocca are household names.

The emergence into the national limelight of Pickens is illustrative. His famous attempt to take over Gulf Oil Corporation in 1984 helped thousands of investors make a lot of money. And in the all-pervasive US media Pickens came through as a gutsy man, prepared to take risks and play for high stakes. He has featured on the covers of 20 magazines, appeared on all the major television net works in the US and even found a publisher who has paid an advance of US $1.5 million (Rs. 2 crores) for his memoirs. Or take oilman Armand Hammer. He fired the imagination of the US public when, in his inimitable style, he flew to Moscow with medical supplies for the victims of the Chernobyl disaster. He has also underwritten a glossy biography, *The World of Armand Hammer.*

Most admired. The most successful book of all is, of course, Lee Iacocca's autobiography which headed the best

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seller list in 1985 for the second year in succession. Paradoxically, Iacocca's big break into the US media came when Henry Ford II sacked him from the presidency of Ford Motor Co. with probably the most infamous single sentence of doom: "I just don't like you very much." This verdict notwithstanding Iacocca proved his mettle by pulling the Chrysler Corporation out of the red in the now most famous corporate turnaround in the history of business worldwide. As a result, both in 1984 and 1985, Gallup polls have ranked Iacocca amongst the 10 most admired men in the US—the first time since 1958 when a businessman has featured in this exclusive list. "None of today's executives is more celebrated than Chrysler Corporation's Iacocca," notes *BusinessWeek* (23rd June) in a cover story featuring the business celebrities of the US.

According to *BusinessWeek*, the kind of adulation which the new national heroes get on the streets and in the shopping malls in the US is on a par with the adulation traditionally reserved for filmstars. "Wherever Iacocca goes, he attracts a crowd of gawkers. At one recent Chrysler reception in New York, guests pressed to get near him. 'I want to go shake his hand,' one man said to his companion. 'He may be the next president of the United States.'" Indeed, there has been a groundswell of grass-roots support for an Iacocca presidency. And as chairman of the Statue of Liberty-Ellis Island Foundation, he was front-and-centre when America celebrated the centennial of the statue on 4th July.

Using stardom. Iacocca—incidentally, his annual income of $11.4 million (Rs. 13 crores) makes him perhaps the world's richest professional manager—is using his stardom in other ways too: he is bottling and selling his own label of wine, made from grapes grown at his own villa in Tuscany, Italy. Likewise, Pickens accepts over 100 speaking engagements in a year. Victor Kiam of Remington Products is planning to make a best seller out of his primer for entrepreneurs titled *Going For It!* published by William Morrow & Co.

"I expect to see the day when, just as most Americans can name 10 or 15 major entertainers and 10 or 15 major athletes, they can name an equal number of corporate executives," says Lester B. Korn, chairman of the executive recruitment firm Korn/Ferry International, quoted in *BusinessWeek*. Also quoted is University of Wisconsin's professor of psychology, Frank H. Farley: "I think this bodes well for the business world, and it's long overdue. Business needed to be personalised. Better, more creative people will be drawn to the business world."

Not a few of the more trendy management pundits opine that corporate heroes personify organisational values and epitomise the strengths of an enterprise. According to one analysis, corporate heroes are not necessarily the kind of decisive rational managers which business schools typically endeavour to produce. "Heroes are often not decisive, they're intuitive, they have vision. They don't make any decisions, except one: does it fit the vision or not? Managers are busy; heroes have all the time in the world because they make time. Managers are routinisers; heroes are experimenters. Both managers and heroes fuss about details, but managers will spend hours refining their numbers, while heroes will plant a garden so that it will look just right," write authors Terrence E. Deal and Allan A. Kennedy in their book *Corporate Cultures* (Addison Wesley Publishing Co., 1982).

"Politicians are celebrities for the promises they make"

Deal and Kennedy point out that employee motivation is a complex science, but its foundations rest on the recognition that all people need to feel important in some phase of their lives. Heroes epitomise the best that people can be and are the "stuff and hope of culture." "Quality circles, management by objectives, organisational charts, and concepts are useful, but they cannot influence behaviour the way a her can... When we accept the responsibility of playing to a world stage, we banish the sterility of modern organisation," they write.

However, despite all the latter-day hoopla about celebrity businessmen, the business community in the US is still far from being on top of the exalted league of the most respected or most admired—as the Gallup poll results cited earlier corroborate. However, both entrepreneurs and professional managers in the US receive much greater respect and are much more admired than their counterparts in India i.e., Bharat.

Schizophrenic attitudes. Repeatedly hit over its collective head with the sandbag of ill-defined populist socialism, the citizenry has developed a schizophrenic attitude towards the captains of Indian industry. Even as they yearn for the qualitative goods and services which only big business in the private sector can provide, the vast majority of citizens have been conditioned to despise business success. Unfortunately the cheap populism preached by opportunistic politicians has influenced media opinion as well, and until the advent of the business magazines in the late seventies, business achievement received scant attention in a macroeconomics oriented press. The nation's socialistic policy framework placed most businessmen in a difficult Catch-22 situation: they couldn't succeed without paying off politicians and bureaucrats and when they did, they were labelled as being corrupt by a press corps quick to pass judgement.

Only recently with the failure of the public sector and greater respect for business management abilities in perhaps the world's most difficult business environment, is there a greater appreciation of the remarkable contribution to the nation's economic growth made by pioneer industrialists such as J.R.D. Tata, G.D. Birla, and Walchand Hirachand among others. And only after the emergence with a bang on the national media scene of the business magazines are business managers emerging from behind the corporate veil—though to say that any of them have emerged as media stars would be stretching it a bit.

However, with the steep decline in the popularity of politicians, the advent of the first business manager in the league of celebrities hitherto reserved for film stars and cricketers, is not an altogether unlikely event.

Sujoy Gupta

JAPAN

Burden of affluence

The world economy is waiting for a new economic leader to sustain global growth. The pace of economic activity till now set by the US—and to some extent by West Europe—is slackening visibly to around 3% a year, barely enough to sustain the minimum level of economic activity in the developing countries of the third world. Growth in world trade which registered an exceptional increase of 9% in 1984 after three years of decline, drifted to just 3% in 1985. The prospects for 1986 are no better.

Latin America is in deep and serious crisis and Western European nations are plagued by levels of unemployment which are unsustainable in the European context. Africa has not seen growth for several years, with standards of living in most countries lower than when the first African nation (Ghana) became independent about 30 years ago. Slumping oil and other commodity prices have made the *noveaux riche* West Asian nations incapable of playing a significant role in the transfer of resources to the needy nations of the geographically contiguous third world.

The US for the past few years has suffered trade and current account deficits of astronomical magnitudes—$123 billion (Rs. 1,47,600 crores) in 1984 and $148 billion (Rs. 1,77,600 crores) in 1985. The world's most powerful nation's current account deficits aggregated $107 billion (Rs. 1,28,400 crores) and $128 billion (Rs. 1,53,600 crores) in 1984 and 1985 respectively. The combined deficit for the three year period 1983-85 has touched the mind-boggling figure of $282 billion (Rs. 3,38,400 crores). Even more disturbing is that in September 1985, the US became a net debtor to the world for the first time in the last 100 years. Obviously, the US is not in a position to finance a recovery of the world economy as it did with the Marshall Plan after the Second World War.

New mechanisms. If not the US then which other nation is in a position to take up this burden? Writing in the London-based *Financial Times* (28th April) Jurek Martin refers to suggestions put forward by the World Institute for Development Economics Research (WIDER), the Finnish-based offshoot of the United Nations University. According to Martin, WIDER would like Japan "to come up with new mechanisms for redirecting its surpluses to somewhere other than the New York financial markets...it would like Japan to set up a new international fund, with a contribution of 0.1% of its gross national product (about $7 billion or Rs. 8,400 crores in terms of 1985 figures) to encourage private capital investment in the developing countries—a complement, it says, to the Baker Plan." Even before the WIDER suggestion, according to Martin, "one respected Japanese research institute" had suggested Japan underwrite massive global public works.

However, a more direct and forthright suggestion has been made by James D. Robinson in an article in the *International Herald Tribune* (5th May). Underlining the truth that the US does not have the wherewithal to lead a global economic recovery as it did in the late forties, Robinson identifies Japan as a nation that does. "As the free world's largest creditor, it could take the lead by investing in the economic elements of global security. One guideline would be for Japan to make investments commensurate, in percentage of gross national product, with the US investment in global military security. That figure would be around $60 billion (Rs. 72,000 crores)," writes Robinson.

Obviously, Robinson has in mind a new Marshall Plan. In this context it is also pertinent to recall what General Marshall had said while recommending the launch of the plan to reconstruct the world economy which had been shattered by the Second World War. "Real security," Marshall said, "is not only military but economic. Without normal economic health in the world, there can be no political stability and no assured world peace."

Marshall's words are particularly relevant in the context of continued austerity in Latin America and the major part of Africa and extreme poverty in some other parts of Africa and some South Asian countries, which threaten political stability in quite a few countries and hence world peace. Yet the moot point is whether Japan has the muscle to undertake the awesome task of launching a new Marshall Plan.

Economic statistical indices indicate it does. Over the past several years this Asian nation has been accumulating huge trade surpluses. According to IMF statistics, Japan collected trade surpluses of $20 billion (Rs. 24,000 crores) in 1983, $34 billion (Rs. 40,800 crores in 1984) and almost $50 billion (Rs. 60,000 crores) in 1985. The surplus for 1986 is forecast to increase to $75 billion (Rs. 90,000 crores). In a short span of six years (1981-86), Japan's aggregate external trade surplus has amounted to almost $200 billion (Rs. 2,40,000 crores)—about 60% of the total surpluses of all the OPEC nations put together in the period 1974-82.

Largest investor. The current account surpluses (net surplus income on trade and services account) during the same six years (1981-86) is estimated at around $160-165 billion (Rs. 1,92,000-1,98,000 crores). These surpluses made Japan the largest net overseas investor in the world in 1985. According to Japan's finance minister Noboru Takeshita, Japan's net assets abroad at the end of 1985 were of the value of $129.8 billion (Rs. 1,55,760 crores).

The amazing productivity, skill and industry of its population has made Japan the most envied nation in the world. Writing in a series of four articles for the *International Herald Tribune* (13th August 1985), John Burgess presented a revealing account of how far Japan has travelled down the road to prosperity during these last four decades. "Forty years after they raised the white flag, the Japanese have given history one of its choicer ironies. They have achieved in defeat much of what they sought fruitlessly in war—affluence, military security, the respect of foreign countries and economic dominance of the Far East...the Japanese today live longer than any people on earth. Life expectancy is 80.2 years for women, 74.5 years for men. They enjoy excellent health. They pass from cradle to grave without a single encounter with violent crime. Their streets are clean and their waiters polite...Today Japan with its 120 million people is a finely tuned $1.2 trillion economy, second in size to the United States outside the communist bloc. Its steel, auto and electronic industries are the envy of the world. The challenge now facing Japan is how to sell less to trading partners who are angered about Japanese trade surpluses...(Exports in 1985) will include power generation equipment for China, automobiles and digital phone exchanges for the United States and cassette recorders for Bahrain. The cheap toys and saucepans that once made the stamp 'Made in Japan' synonymous with junk in many western nations vanished years ago."

Political equation. Yet the vital question is whether internal political equations will permit Japan to part with some of its riches to benefit other nations who are in straitened circumstances, just as the US did in the late forties in favour of Japan, France, Britain, West Germany and several other war-torn economies.

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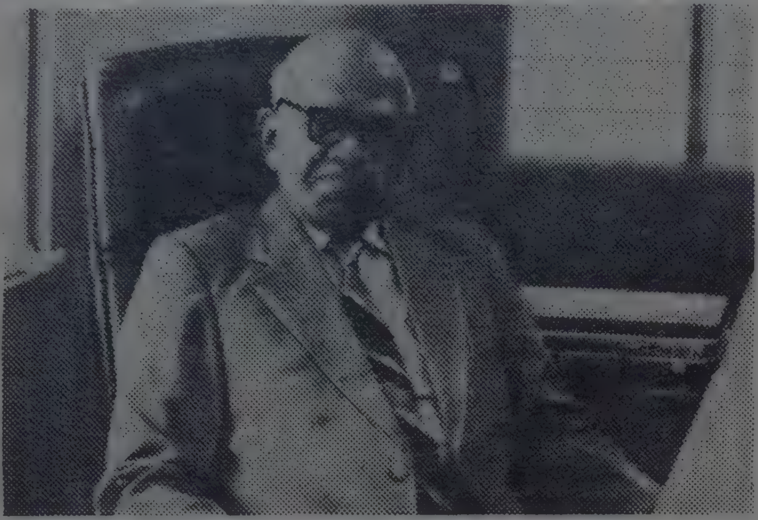


"Fantastic growth during the year 1985-86 Set to create a new record in 1986-87"

Extracts from the Statement of
Mr. S.N. Pai, Executive Chairman
at the 30th Annual General Meeting
held on 7th June 1986

Ladies and Gentleman,

It has indeed been a momentous year for the Company, packed with so much of activity. From almost a non-entity a couple of years back, your Company has made a quantum jump during the year and become a force to reckon with. Indeed, its rapid all-round growth has literally astounded all observers.

SPECTACULAR PROGRESS

In my Statement made before you on the 15th June last year, I had referred to the Company working virtually on a war footing. During the year, the battles that were fought had indeed turned fiercer. How else could have one achieved the magnificient results that are before you, which are as under :

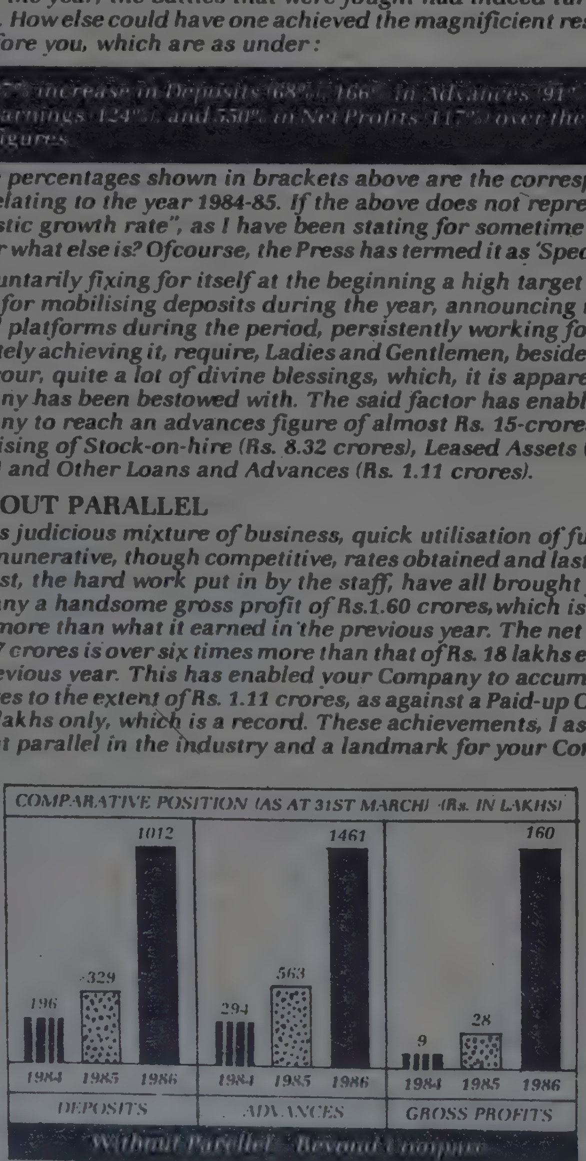
A 207% increase in Deposits (68%), 166% in Advances (91%), 291% in Gross earnings (124%) and 550% in Net Profits (117%) over the previous year's figures.

The percentages shown in brackets above are the corresponding ones relating to the year 1984-85. If the above does not represent a "Fantastic growth rate", as I have been stating for sometime now, I wonder what else is? Ofcourse, the Press has termed it as 'Spectacular'.

Voluntarily fixing for itself at the beginning a high target of Rs. 10 crores for mobilising deposits during the year, announcing it from several platforms during the period, persistently working for it and ultimately achieving it, require, Ladies and Gentlemen, besides human endeavour, quite a lot of divine blessings, which, it is apparent, your Company has been bestowed with. The said factor has enabled your Company to reach an advances figure of almost Rs. 15-crores, comprising of Stock-on-hire (Rs. 8.32 crores), Leased Assets (Rs. 5.18 crores) and Other Loans and Advances (Rs. 1.11 crores).

WITHOUT PARALLEL

This judicious mixture of business, quick utilisation of funds and the remunerative, though competitive, rates obtained and last, but not the least, the hard work put in by the staff, have all brought for your Company a handsome gross profit of Rs.1.60 crores, which is about six times more than what it earned in the previous year. The net profit of Rs. 1.17 crores is over six times more than that of Rs. 18 lakhs earned in the previous year. This has enabled your Company to accumulate Reserves to the extent of Rs. 1.11 crores, as against a Paid-up Capital of Rs. 97 lakhs only, which is a record. These achievements, I assert, are without parallel in the industry and a landmark for your Company.



DIVIDEND :

In the light of what has been stated above, I know that some of you may feel that your Board should have stepped up the dividend from the 20% now recommended. Your Directors did consider this aspect of the matter at length, but felt that there are over-whelming advantages in maintaining steadily a reasonably good dividend of 20% and building up reserves rapidly, which is so essential for a finance company like yours, rather than fall a victim to the present practice of declaring higher dividends even in the formative stages by many a leasing and finance company. While taking the said decision, your Board had also in mind the long term benefits that will be accruing to the shareholders by pursuing such a policy. They had also taken note of the fact that the Company is paying the said dividend at an extraordinarily short time after the close of the financial year, which is to the advantage of the shareholders. It is the intention of your Board to hasten this process still further in future, by paying the same as an interim dividend, even before the close of the year, whenever possible.

UNLIKE OTHERS

It is a matter of pride, for me to say that at present your Company has about 17,000 depositors and 5,000 borrowers, most of them from middle income group. By this wide mobilisation of large funds and their utilisation for assisting mainly small road transport operators and to some extent the consumer durable industry. I feel that your Company is really playing its part in the Nation building activity, resulting in economic growth, which is what is expected of a hire purchase company like yours. This is unlike many other units in the industry. By widely spreading the advances, the risks to your Company have been minimised, ensuring better security to the depositors' funds.

BRANCH OFFICES/SAKTHI SAFE VAULTS

Apart from the above mentioned normal operational features, during the period under review, your Company had engaged itself in a tremendous developmental activity too. The result has been the opening of seven more Branch Offices and the setting up of three Safe Deposit Vaults out of the long chain of Vaults your Company proposes to establish throughout the South. In doing so, that your Company is ful-filling a long felt need by the public, which the Banks have found it difficult to meet with, is abundantly clear, arising out of the very good support that the Company is receiving in this regard. During the year, your Company also held a series of functions to publicise its activities. This process is continuing with greater vigour and several more Branch Offices and Safe Vaults will be opened during the current year at short intervals.

FUTURE OUTLOOK

In the Industry, things do not appear to be as rosy as many would like to make them, due to the several adverse factors that are obtaining at present, giving room for uncertainity. Too many finance/leasing companies continue to surface too often from too many places, while even a large number of the existing ones appear to be groping in the dark. Surely, it is high time the country gets a respite from this rush and the industry is allowed to settle down, before mushrooming further. Certain policies, especially in the matter of dividend, followed by many a company cannot be considered as contibuting to the health of the industry. It is time that a code of conduct is prescribed and observed by all, so as to enable growth on healthy lines. It is hoped that the authorities concerned would act in this regard before it becomes too late.

While on this, I, however, continue to be optimistic in-so-far as your Company is concerned, in view of the several special infrastructural facilities enjoyed by it.

The target for mobilisation of deposits during the current year has been fixed at more than Rs. 20 crores, which, if achieved, will take the advances to about Rs. 30 crores, by which your Company will be creating further history. More innovative schemes and methods are proposed to be introduced to achieve this objective.

Let God bless us all!

Note : This does not purport to be a record of the proceedings of the Annual General Meeting of the Company referred to.

UIPC:SF:9:86

BusinessWorld
July 21—August 3, 1986

Quite obviously, to sustain its own prosperity, Japan will have to allow other nations also to prosper. But that is not possible if the trade surpluses are flowing only in one direction. Japan took $113 billion (Rs. 1,35,600 crores) from the US in the form of bilateral trade surpluses in the decade ending 1985 (the US alone absorbs 35% of Japan's exports), $23 billion (Rs. 27,500 crores) from West Germany, $16.9 billion (Rs. 20,280 crores) from Britain and $6 billion (Rs. 7,200 crores) from France during the same period. Japan has to part with some of this wealth in its national interest. Otherwise, its own economy may falter.

Nakasone: massive endorsement

Yet, for the Nakasone administration which recently received a massive electoral endorsement with the ruling LDP's landslide win at the polls and indeed for any successor administration, being generous to foreigners is not a facile exercise. The Japanese people have accumulated their economic wealth through great pain and sacrifice. While they have produced and exported the best consumer durables and hi-tech products in world history (their saving ratio is 23% of the GNP, the bulk of which is invested abroad) they have denied themselves some of the most elementary amenities which are taken for granted in the developed countries of the West. For example, in 1983, only 58% of all houses in Japan had flush toilets, sanitation is neglected and some Tokyo streets smell of raw sewage, reports John Burgess quoted earlier.

Therefore, today when Japanese exports are facing tariff barriers all over the world, older Japanese worry about the attitudes of the younger generation which is becoming less committed to the generations-old Japanese work ethic and are increasingly adopting western fads. Writing in the *International Herald Tribune* (12th May), Flora Lewis sums up Japanese anxieties in an article entitled 'Japan at a crossroad without a map.' She quotes Takashi Hosomi, who heads the Overseas Economic Cooperation Fund, Japan's foreign aid agency. "We grew up in the poverty of Japan. We lived in ruins. Our children are growing up in the riches of Japan. There's a very different atmosphere." She also quotes Kazo Obuchi, a member of the Japanese Diet in the same article. "We have to think about the meaning of wealth. No country has been destroyed by poverty but many have been ruined through wealth."

Burden of affluence. These statements amply demonstrate that affluence is a burden to this nation which is being criticised by other nations for achieving what they themselves yearn to achieve. However, affluence in the international environment, particularly in the context of the interdependent global economy, imposes responsibilities and obligations. It is undoubtedly a step in the right direction that Japan has started investing in other countries, setting up facilities to manufacture durables such as automobiles and colour television sets once it realised that these products have begun encountering several restrictions from importing countries. But such investments constitute a very small part of the total capital exported by Japan in recent years. Most of it has been invested in short term US treasury bonds and other safe interest bearing investments.

Despite several market opening programmes announced by the Japanese government, the impression remains that Japan is out to sustain its export drive and is not willing to suffer a fall in the already relatively low living standard of its people. Writing in *The Times of India* (22nd May), Gregory Clark, a professor at the Sophia University in Tokyo recounts the Japanese attitude towards restricting the country's exports. "In the early eighties, when the yen was hovering around 260 to the dollar, this writer found himself sitting on a Japanese advisory committee on trade problems. Someone suggested an export tax, with the revenue to be used to phase out marginal exporters and import-competing industries. The idea was immediately killed by the bureaucrats...More than a year ago, one of the more economically literate leaders of the ruling Liberal Democratic Party, Kitchi Miyazawa, urged expansion of domestic demand to help the economy move away from exports. Again nothing was done, this time on the too-conservative ground that government spending on everything but the military had to be controlled rigidly."

Japan is revelling in affluence but the thrifty Japanese mind, which has built these riches (through exports) cannot part with them easily. Comments Flora Lewis quoted earlier: "The obvious answer when riches become a burden is to give them away. Other people's poverty can distract the mind from the dangers of excess. But as one leader pointed out, the Christian tradition of charity is not part of the Confucian order."

Despite this, Lewis is moved to add: "Japan will have to learn about giving, as well as earning. It should be a better world when many more countries achieve Japan's dilemma, but it won't be without problems. Japan's moral crossroads is a first example."

MGK

MANAGEMENT

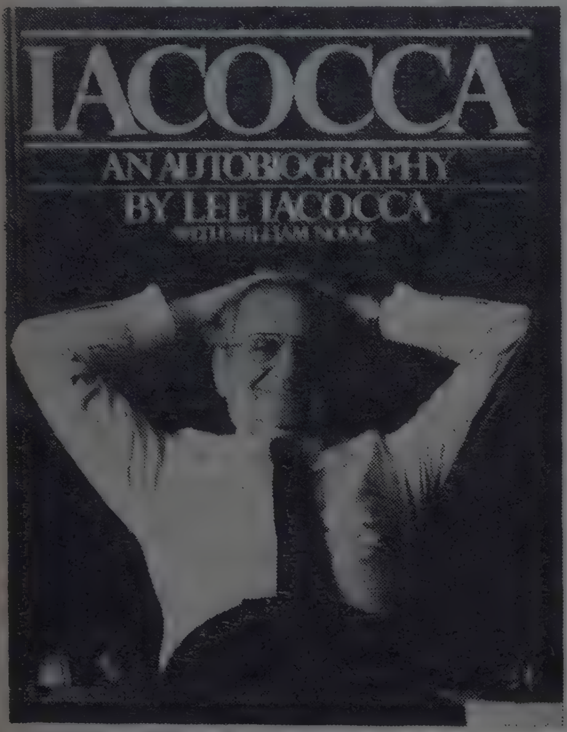
Business books boom

Back in the early sixties, when an ebulliently materialistic America was starting to slide into bitter soul-searching about the Vietnam war and a host of other social concerns, Tom Peters, Kenneth Blanchard and John Naisbitt were fellow students at New York's Cornell University. One of Peters' most vivid memories is of Blanchard dressed up as a big red bear, the mascot of the Cornell football team.

Twenty-five years on, America's mood is anything but bearish. Its entrepreneurial drive is back with a vengeance, and leading the way is the Cornell trio—each of them as a millionaire preacher of the new gospel of corporate success.

The phenomenon of America's million-selling business *gurus* first hit the nation in 1983, when the US was just beginning to edge out of one of its severest post-war recessions. Three of the four top spots in that year's *New York Times* non-fiction best seller list were taken by business books—all of them written by Peters, Blanchard and Naisbitt. Since then the floodgates have opened to a wave of business books whose sales rival those of the hottest selling works of all time.

The publishers of *Iacocca,* the story of the irrepressible Chrysler chairman, Lee A. Iacocca, claim that barely 20 months after the autobiography hit the bookstalls it had already outsold any hardback in history, bar *Gone With The Wind, Jonathan Livingstone Seagull* and a few children's books. The hardback print run in the US and Canada alone has reached 2.6 million so far.



Cover of the block-buster

The paperback edition appeared in mid-June, with an initial printing of almost 3 million copies.

Common theme. *Iacocca* and the other three books each represent a markedly different genre of business writing. But they all echo a common theme—a compelling confidence in the American business system. They offer reassurance and optimism at a time when US companies have been going through an unprecedented period of self-analysis and painful reconstruction.

The main appeal of *Iacocca,* for example, lies in what one publisher calls its "heroic" qualities, the fairy tale story of a man who rose by his own efforts from humble origins to mount one of the most remarkable industrial rescues of all time. The book spent 20 weeks at the top of the *New York Times* nonfiction lists, and has still not been dislodged from the top 20.

The other three works tackle the theme of US corporate renovation from very different angles. *In Search of Excellence* by Tom Peters and Robert Waterman, both former McKinsey consultants, sets out to discover and describe what is best in the US corporate world—and has sold over 5 million copies worldwide. Blanchard's *One Minute Manager,* by contrast, is a short, snappy, easily read fable about efficient management, which has soared to sales of well over 4 million.

Naisbitt's *Megatrends,* which has been translated into 22 languages and has sold a claimed 7 million copies, emphasises the transition towards an information-based society and an entrepreneurial economy. It ends with a rousing exhortation to the go-getting frontier spirit in America: "We have extraordinary leverage and influence—individually, professionally and institutionally—if we can only get a clear sense, a clear conception, a clear vision, of the road ahead. My God, what a fantastic time to be alive."

For all these authors, publication has brought fame, *guru*-dom and fortune. Iacocca, who was already well known before he burst into print, has developed almost mythic status, and is talked of half seriously as a potential presidential candidate. Each can command astronomic fees for an after dinner speech or a conference appearance.

"It is no secret," says Naisbitt, who these days often shares a platform with his wife and collaborator, Patricia Aburdene, "that we are paid $20,000 (Rs. 2,40,000) for an appearance." Naisbitt goes on the road around the US and Europe virtually full time in the spring and summer, giving at least 100 speeches a year. So simple arithmetic puts him in the same $2 million-a-year earnings category as a Wall Street hot-shot or the chairman of General Motors.

New phenomenon. The metamorphosis of business authors into cult figures is a new phenomenon. Before this new school of *gurus* sprang to prominence in the eighties, few business books had made the bestseller lists. It was a field dominated by specialised academic publishing, punctuated by sporadic meteoric appearances of a work that caught the public imagination.

Even the books of Peter Drucker, a management theorist who began writing in the fifties, and has successfully bridged the gap between an academic and popular approach, never became particularly big sellers. Clearly, something radical happened in the early eighties to create the differences between today's market and those of yesteryear—differences which lie partly in the period in which the books were produced, and partly in the approach of the authors.

The turning point in the popularity of business writers and speakers in the US is generally located around 1981, in the year when, paradoxically, the country began to turn into deep recession.

The two events were not unconnected. US industry, which only four or five years previously had been riding on the crest of an inflationary wave, was suddenly brought face to face with its own vulnerability. The rising tide of Japanese imports was turning into a flood, and Americans were beginning to recognise that this was not a temporary phenomenon.

Two books published at this time reinforced the mood of self-doubt in American management—*Theory Z* by William Ouchi, and *The Art of Japanese Management* by Anthony Athos and Richard Pascale. Both these works spoke admiringly of Japanese methods, analysed the culture of Japanese companies and suggested that the US could learn a great deal from Japan. The books did not become runaway bestsellers, but they sold steadily, made a deep impact and sowed the seed for an American riposte.

Second mistake. "I often say," jokes Kenneth Blanchard, "that the second biggest mistake the Japanese made after Pearl Harbour was to keep beating the hell out of us about productivity." One of the keys to successful US management books since then is the way they pick up the challenge thrown down by the Japanese. The American books present their own champions, extol the virtues of the best US management systems and present a thinly veiled suggestion that anything the Japanese can do, US companies can do better—if they really try.

In Search of Excellence, for instance, says "there is good news from America. Good management practice today is not resident only in Japan." *Excellence* also typifies one of the other key characteristics of almost all the new wave of books: their overwhelming concern with the human side of business, in stark contrast with the dry organisational and strategic analyses which dominated management literature in the past.

The appeal of this style can be seen in Iacocca's book, with its aggressive reassertion of the values of American entrepreneurship and individuality, described by its publisher, Stuart Applebaum, as "the ultimate success fantasy."

At the same time, the idea of champions, or model companies, has been reworked in many of the books into the "how to," prescriptive approach which has such a strong tradition in more general US publishing. *Intrapreneuring,* a work which hit the headlines a year ago with the message that large companies can develop entrepreneurial instincts if they organise themselves for it, showed how several big US companies had already done it.

On a personal level too, "many are basically a new twist on the age-old theme of how to make a million," says John Boswell, a books packager who thinks up ideas and sells them to publishers. Boswell is the man behind *What They Don't Teach You At Harvard Business School,* a book written by Mark McCormark, the sports promoter which gives the reader tips on how a self-taught dealmaker manages to stay a step ahead of the competition.

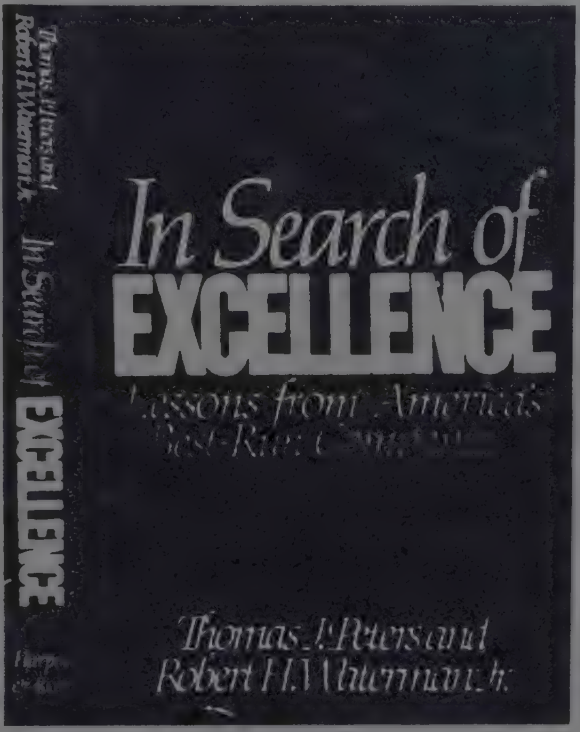
The emphasis on entrepreneurship serves two purposes. On the one hand, it speaks very directly to the new wave of self-made businessmen, who are still emerging at a virtually unparalleled pace. Many of the people who attend the conferences and seminars given by the *gurus* are independent businessmen setting up on their own or concerned about how to run their companies better.

New era. The vaunting of entrepreneurial values equally appeals to the current business school generation. Not for a very long time has the business of making money been as popular with young people in the US as it is today—a reflection of the emergence from the Vietnam era and from the deep social concerns of those years. "The period of introversion has given way to a new era of greed and avarice," says Raphael Sogalyn, literary agent for John Naisbitt. "The popular psychology books of the 'Your Erogenous Zone' variety have been overtaken by books that show you how to try to make it in the world."

While this revival of the money-making ethic established the conditions for the business books boom, the phenomenal sales figures also owe a great deal to changes in writing and publishing techniques. First, the better books are all very carefully crafted. They are easily read. They have lots of colour and human detail. They avoid theorising, even when, as in the case of *Excellence* or *One Minute Manager* there is a wealth of research and academic underpinning to the themes they present.

To achieve this readability, Iacocca worked with a writer-journalist, William Novak. Blanchard, an academic who has written and collaborated on several textbooks, says that he and his co-author Spencer Johnson, a psychologist who has written several stories for children, carefully examined a number of successful business books before deciding on their approach.

"One of the things we found was that probably less than 10% of the non-fiction books that are bought are not read past the first chapter. We decided we would make our books one chapter long," he says. As a result, *One Minute Manager* has just over 100 pages and can be skimmed satisfactorily in an hour. One academic goes so far as to call it "a good loo book—you can read it in a sitting."



***Excellence*: easy readability**

Second, the tone of the books is clearly fashioned for the present generation of dedicated go-getters. Today's authors mix wit with a deadly serious concern about improving American competitiveness. At the same time, they are determinedly, unswervingly optimistic, an attitude which reflects the change to an era of reassertiveness within the American corporate sector.

New methods. Third, business books have profited from the application of new mass-marketing methods in the publishing industry. The large sales figures being rung up by the most successful books partly depend on bulk buying by the companies that want to use them as textbooks or acquire them for corporate presents, while many of the large bookstore chains now aggressively discount best selling hard covers as loss leaders. "Hard cover books have a huge market today," says Raphael Sogalyn.

How long can the boom continue? Many publishers believe that the fashion for business books has already peaked—a point that is underscored by a market that is wallowing in frequently second rate new products. Significantly, perhaps, there has not been a business book in the *New York Times'* top 10 non-fiction list for over a month, and neither of the sequels to *Megatrends* and *In Search of Excellence* has enjoyed the success of its forerunner.

The books that have done best recently are of the autobiographical-human interest type, that have a consistently solid readership—works such as Robert Lenzner's *The Great Getty,* or Ken Auletta's *Greed And Glory On Wall Street,* the story of the takeover of Lehman Brothers by Shearson American Express.

As for the lecture circuit, Bernie Swain, head of the Washington Speakers' Bureau, a leading agency, thinks that the fascination with business speakers has about another year to run. But for the time being, the big names are still pulling in the crowds. At a recent Florida conference of the US Urban Land Institute, attended by nearly 1,000 delegates, there was no question that the star speaker in a long and impressive list of guests was Naisbitt.

"He is such a brilliant communicator," said one Californian participant, who could have walked straight out of *Megatrends* as one of the new generation of self-made US businessmen. "You may not agree with what he says, but he is controversial, and he makes you think. We all need that."

Terry Dodsworth
(By special arrangement with the Financial Times, London)

THAILAND

Search for democracy

The turbulent events that led to Thai prime minister Prem Tinsulanond calling an early general election for 27th July may have left a bad after-taste, but the whole episode was probably much more of a triumph for democracy than a setback. Indeed, the fact that there will be elections at all illustrates once again that despite periodic upheavals and a great many other social and political problems, Thailand has come a long way from the womb of absolutism, which had dominated much of the country's history.

The debate these days in Thailand is not whether democracy is the accepted

THE TATA IRON AND STEEL COMPANY LIMITED

Chairman's Statement

The following is the statement of Mr. R. H. Mody, Chairman of the Tata Iron and Steel Company Limited, for the year 1985-86.

During the last year, the economy of the country has made progress and the Government continues to demonstrate a liberal attitude towards industry and commerce. If I have a complaint at all, it would be in the tardy implementation of Government's intentions which have yet to seep through to the bureaucracy which continues to exercise its authority through a plethora of regulations and controls. If it is not possible within a short span of time to change the attitude of bureaucrats, then at least the Government should consider doing away with many of the controls which perform no useful purpose, which were introduced in a different age and which have completely outlived the aims for which they were set up. I have in mind particularly the Iron & Steel Control, the Coal Control, the Metal Scrap Trade Corporation, the Minerals & Metals Trading Corporation and even the Monopolies and Restrictive Trade Practices Act. The controls they exercise could very well be exercised, if need be, by the Ministries concerned, and the trading activities of some of these bodies could be passed on to the trade. Whilst, in view of the shortage of foreign exchange, we should submit to some Government control over imports, there appears to be no valid reason for any control over exports which earn foreign exchange for the country.

Responsibilities and Rights

2. The Government, and particularly the Finance Minister, continues to show a resilience to public opinion and an openness in dealing with fiscal matters, which deserve our warmest congratulations. The manner in which the Finance Minister responds to the many suggestions and demands made upon him is clearly indicative of an objectivity which has hitherto been lacking in dealing with public affairs. However, business houses continue to be exercised over the raids conducted by the Finance Ministry, and the Finance Minister does not let an opportunity pass without warning businessmen that he intends to bring to book the dishonest amongst them. No one in his senses can quarrel with him on this. However, there are certain rights which a citizen enjoys in a free democratic countr these even the Finance Mi must respect. Whenever is a genuine differenc opinion between a Compan a Government Departmen Customs or Excise, anc matter is referred to a co law, there is evidence to that umbrage is taken ar 'argument' with Govern is put in the same catego evasion of taxes. The Fir Minister must disting between his responsibili Parliament and to the pe and he should not be tem to play the part of Louis X France, who said: "L'État moi". However irksome situation may appear to s Government's right to rec its dues under the laws o country cannot be questi and I, for one, would welc any legitimate steps take the Government to disting

ween those who pay their es and those who try to de them.

panding gets

he Company's operations tinued to be satisfactory and shareholders will have noted that y a year after the completion the first phase of our dernisation programme, the get of increased finished el production has been ched and exceeded. wever, this has been achieved the use of greater quantities scrap, the cost of which is siderably higher than the t of hot metal. It is in the duction at the blast furnaces t I must confess to a certain se of disappointment. Even ugh the efficiency of our st furnaces continues to be best in India, I am not happy h the production performance this department. I sincerely be that as a result of the provement in coke quality, ught about by the import some coking coal, our duction of hot metal this r will come to 2 million nes. If this happens, there is reason why, with the import hot briquetted iron – which now at last possible – the mpany could not produce million tonnes of finished el this year and, without ch effort, 2 million tonnes in 87-88. With the completion Phase II of our modernisation gramme, it should be possible push up our finished steel duction to 2.3 million tonnes

Unfortunately, our cost of puts continues to rise, and in absence of a corresponding crease in steel prices, our rgins are getting eroded. To s extent, our contribution m internal resources wards our Rs. 1,100-crore dernisation programme will crease.

5. We have recently expressed to Government our willingness to expand our capacity by about a million tonnes in flat products and are awaiting Government's reaction.

6. As you will see from the Directors' Report, the Steel Company has made a further purchase of shares of the Tinplate Company of India from Bladite Holdings Limited, U.K. (formerly held by The Burmah Oil Public Limited Company, U.K.). This brings our total holding in the Tinplate Company to 35% and gives us more effective control over its operations.

Happier Relations

7. I had reported last year that there was some delay in the signing of the Agreement with the Bihar Government on the ownership and management of our lands at Jamshedpur. I am happy to report that the lease Agreement was signed on 1st August 1985. However, due to an unfortunate misunderstanding, a cess was sought to be levied by the Government for various municipal services at Jamshedpur which, according to us, was not payable as the burden of running all municipal services at Jamshedpur has for many years been borne by the Company. The question of a cess never arose and it was understood that, whilst Government has the legal right to impose cess, it would be most unfair on its part to do so. In fact, we had formally applied for an exemption. We have taken this matter to court and have obtained a stay order. However, it is hoped that even now the Government will grant us this exemption, enabling us to withdraw the matter from the court and revert to the happy relations that have existed between the Bihar Government and ourselves for so many years

8. Shareholders will remember that I had made a mention of the collaboration agreement which we were seeking with Korf of Germany in regard to a novel method of making steel A company has now been registered under the name of 'Tata Korf Engineering Services Ltd.' (TAKES). This company will be applying to the Government for the various approvals required in cases of technology transfer. I can assure shareholders that your Company will continue to upgrade technology in the coming years.

Cement Project

9. Shareholders will also recall my reference to a slag-based cement project, for which permission was being sought from the Government of Madhya Pradesh to mine limestone and produce clinker. This permission has now been received and we have submitted a proposal to the Central Government for a plant of 1.4 million tonnes per annum of slag-based cement at Jamshedpur and a 300,000 tonnes per annum cement unit in Madhya Pradesh. There has been considerable delay in obtaining this sanction from the Government although it has crossed all hurdles and I am still hopeful that by the time the Annual General Meeting takes place, this sanction will have been received.

10. From 1st October 1985, the Indian Tube Company has finally been merged with Tata Steel, and the year's results incorporate the operations of the Tubes Division. The workers of the Tube Company have, by an overwhelming majority, indicated their desire to belong to the Tata Workers' Union. Whilst there will not now be a separate Tube Company Workers' Union, I would like to place on record, our thanks and appreciation of the very constructive role played by the Tube Company Workers' Union during the years they represented the workers of the erstwhile Tube Company.

Constructive Responses

11. With the addition of these workers, the Tata Workers' Union has further gained in strength and continues to play a useful and dynamic role in the affairs of our Company. There is no doubt in my mind that, although we sometimes approach various problems confronting the Company from different points of view, the ultimate goal – namely, the prosperity of the Steel Company – is the same both for the Union and our workers as well as for the Management. The enlightened labour policies of the Management have evoked a very constructive response from our workers, and they continue to play an increasingly useful role in the affairs of our Company. For all this, I am grateful to the workers as well as to the supervisors and officers for their continued enthusiasm which has been the main contribution towards our success. I would also like to thank shareholders and the Board of Directors for their consistent support, as well as the Government, financial institutions and banks for their help whenever it was sought.

Chairman

Bombay, 26th June, 1986.

Note: This does not purport to be a record of the proceedings of the Annual General Meeting.

commodity markets and a general downturn in the world economy".

Yet, a greater measure of public assertiveness might have gone a long way towards recouping the situation. Not only did he neglect the sensitivities of elected politicians in adopting policies formulated by appointed ministers, but he and his administration failed abysmally to match doom-and-gloom forecasts with offerings of hope.

Decisive leader. Rightly or wrongly, a good percentage of the population would probably feel a lot more comfortable with a decisive leader, rather than one who governs essentially by consensus. Such an attitude, coupled with a general lack of confidence in and respect for civilian politicians, tends to put the brakes on the pace of democratic growth. It provides a ready explanation to why the search for a leader already appears to outweigh in importance the outcome of the elections.

And it also underlines why there is a reluctant acceptance of the dictum that it is a lot safer to have a non-partisan, non-elected prime minister with a military background than a party leader of unknown quantity who may feel emboldened enough to throw away the rule book. Prem has the right credentials, critics in the street seem to be saying, but he is not a man of action.

Indeed, at some time in the future historians may be bold enough to suggest that the *coup d'etats* and upheavals that have unfairly characterised Thailand as an Asian "banana republic" may have been a necessary part of that process. They might hold as well that, despite the inherent risk of rash acts, the very fact that the military is factionalised has contributed in giving the kingdom the necessary breathing space to improve on the democratic experiment.

But there is still a lot of rocky ground left to negotiate, with some of it dependent on greater enlightenment and a better appreciation of what democratic principles are all about, and some of it dependent on the uprooting of outdated social values that continue to facilitate social injustice and deny equal rights to a great proportion of the population. Democracy in Thailand does not need to be the standard western model. It should, however, be designed along lines that meet and satisfy the aspirations of its people.

John McBeth
(By special arrangement with the Far Eastern Economic Review, Hong Kong).

LETTER FROM SEOUL **PAUL ENSOR**

Japanese shopping spree

Japanese companies, which have long been accustomed to looking at South Korea as a market for machinery and industrial materials, are now talking about buying more from Korean suppliers following the meteoric rise of the yen. South Korean companies say they are receiving many more Japanese visitors, but so far much of the discussion is exploratory: the Japanese are interested in sourcing machinery and electronics parts, fabricated metal and toys from South Korea, as well as local production contracts on an original equipment manufacturing (OEM) basis.

Cost effectiveness. Also high on the Japanese shopping list are machinery and car parts. Because of the mixed quality of the country's components manufacturers, which tend to be small, underfinanced and lax on quality standards, sales to Japan could be some way down the road. According to a representative of one major trading house on a visit to Seoul, at this stage calculations in many areas revolve around the cost effectiveness of transferring technology and raising local standards to reach those required in Japan.

While the larger companies are interested in sourcing with or without technology transfer, the Japanese External Trade Organisation in Seoul reports that a number of smaller Japanese companies have shown interest in moving their operations to South Korea in order to maintain competitiveness, possibly with the assistance of their larger customers in Japan.

South Korean components manufacturers suffer from structural deficiencies which are in part a result of the imbalance between large and small firms. The problems stem from the pattern which has seen many of South Korea's export successes involve the assembly of products with relatively high levels of import content, often from Japan. South Korean video cassette recorders, for example, rely on Japanese components for 35% of their export value, admittedly relatively high for electronics. The import content of ship exports is 30%-50%. Hyundai Motors' new export success in North America, the Pony Excel, has a higher content of Japanese components from Japan than is the case with locally sold units.

The problem is particularly marked in the auto-parts sector, which the government has declared off limits to the big groups to encourage small-scale entrepreneurship.

Despite these weaknesses, the potential for sales to Japan in a number of areas is being considered seriously on both sides of the Korea Straits due to the rapid rise of the yen against the won, which has remained roughly constant against the US dollar since the greenback started to fall against the Japanese unit late last year. Stock prices of major electronics companies have been buffeted by rumours of possible deals with Japanese companies.

Particularly striking has been the renewed interest among some of the larger electronics companies, which withdrew from joint ventures with local companies in the late seventies and early eighties after running into difficulties—Sony and Matsushita being two notable examples. Toshiba and Hitachi have also been in Seoul, reportedly sounding out possible OEM production contracts for consumer electronics items with local firms.

Difficult period. Many Japanese companies have left joint ventures with South Korean companies owing to problems with labour relations and with joint venture partners. The turbulent 1979-80 period saw a particularly large number of withdrawals influenced by the difficult political period the country was weathering. While relations between the two countries have undoubtedly entered a new phase in recent years, strong anti-Japanese feeling makes the country a very difficult place to operate on a day-to-day basis.

For the South Koreans the most worrying aspect of the yen's rise has been the dramatically rising cost of their addiction to Japanese machinery and parts, which drove imports from Japan up an average of 36.6% in the first four months of the year, while exports to Japan only rose 9.1%—at the current rate South Korea's bilateral deficit will rise 50% to US $4.5 billion by the end of the year. But flushed with optimism over the boost the yen's rise will give to South Korean exports in third countries, Seoul has not raised the emotional issue of trade deficits recently.

BRITAIN

British Gas privatised

■ As part of the British government's continuing privatisation policy, the British Gas Corporation will be sold to the public for £6-8 billion later this year. The final decision, however, is subject to parliamentary approval. Working and pensioned employees will be the major beneficiaries of privatisation because the government has recommended that they be encouraged to participate financially in the company by purchasing company securities at concessional rates.

The proposed sale marks the largest ever privatisation of state assets in the UK till date. During the last six years, the privatisation of state assets yielded £6 billion (Rs. 11,100 crores) while sales valued at another £4.8 billion (Rs. 8,880 crores) are expected during the current year and as much again in the next year.

TELECOM

ITT-CGE venture

■ Two of the world's largest electronics and telecommunications equipment manufacturing companies, the New York(US)-based International Telephone & Telegraph Corporation (ITT — group sales: $12.71 billion or Rs. 15,252 crores in 1985) and the France-based Compaignie Generale d'Electricite (CGE — group sales: $8.48 billion or Rs. 10,176 crores in 1984) have combined to promote a new venture, yet to be named, which when incorporated will be the world's second largest telecommunications (after USA's AT&T) company with projected annual sales of $9.6 billion.

The new company will be managed by CGE, and ITT will have a 30% shareholding, while the remaining 70% will probably be held by Societe Generale de Belgique and the Spanish-based state-owned Telefonica. The company, which will operate in 75 countries worldwide, will continue to market ITT's digital telephone exchange switches. As part of the deal, ITT will receive $1.8 billion (Rs. 2,160 crores) in cash, making it one of the world's most cash-rich conglomerates.

PAKISTAN

PIA divestiture

■ Pakistan's international and domestic carrier, Pakistan International Airlines (PIA—operating revenue: PRs. 1 billion or Rs. 69.6 crores in the year ending June 1985) is planning to go public later this year. Currently, the Pakistan government owns more than 99% of the company's equity—59.5% directly and 39.8% through its nationalised banks and financial institutions. The remaining 0.7% is held by private shareholders. The Pakistan government, following its policy of privatising major industries, will sell all but 51% of its PIA shares.

PIA has a fleet of 46 aircraft and carries 4 million passengers every year to 44 international and 29 domestic destinations.

COMPUTERS

Honeywell-NEC venture

■Honeywell Inc. (sales: $6.13 billion or Rs. 7,356 crores in 1985), the US computer giant and NEC (sales: $7.45 billion or Rs. 8,940 crores in 1984), the Japanese computer colossus, have announced their intention of promoting a joint venture company, Honeywell-NEC Supercomputers, in the US. Shortly, the joint venture company will market NEC's supercomputers in North America. These supercomputers, which are used primarily for the purpose of complex engineering design and scientific research, currently cost between $5-18 million and NEC hopes to sell more than 50 of these machines in the US within the next five years. This agreement will mark the beginning of a major Japanese entry into the booming and highly competitive US computer market.

AUSTRALIA

World's largest casino

■ A contract to construct and operate exclusively, for a period of 10 years, the world's largest casino in Sydney's Darling Harbour has been awarded to a consortium comprising the Las Vegas-based Harrah gaming group and the Australia-based real estate company, Hooker Corporation. The A$1.5 billion (Rs. 1,248 crores) contract will entail the building of a 700-room hotel in the casino complex, a monorail from Darling Harbour to Sydney, a maritime museum and a casino complex which will have 400 gaming tables, 1,500 video games and accommodate 11,000 gamblers at any given time. The casino's expected annual turnover of A$400 million (Rs. 332 crores) per annum will generate substantial revenues for the Australian state of New South Wales which has a 35% share in the venture.

IRAN

New DMT project

■ Despite the continuing devastation of the economies of Iran and Iraq in the wake of the on-going war between the two, Iran is pushing ahead with its developmental plans. Recently, Fried Krupp AG, West Germany, one of the world's largest steel and engineering companies (sales: DM 18.4 billion or Rs. 10,322 crores in 1985-86) won an order valued at DM 190 million (Rs. 105 crores) to build a chemical plant in Iran which will produce 60,000 tonnes of DMT per annum, a raw material used in the manufacture of polyester fibre. Krupp will also provide the knowhow, engineering and construction expertise and essential equipment for the factory.

AVIATION

People Express' tailspin

■ People Express, the US-based cut-price no-frills airline that flew passengers across the US in five hours, for just $50 is on the verge of collapse and might have to be sold.

The airline's meteoric rise to the position of the fifth largest airline in the US with a total annual turnover of $1 billion (Rs. 1,200 crores) since its maiden flight on 30th April 1981, has raised many an incredulous eyebrow in the past and industry monitors had predicted the company's collapse if it continued to price its flights at rock-bottom rates. Currently the airline's $25 share is being quoted at an unprecedented low of just $5.50 and in 1985, it suffered a loss of $27 million.

BRITAIN

Dixons' failure

■The 12 week battle for the takeover of Woolworth Holding plc UK by Dixons, the UK-based electricals retailing group, has finally come to an end with Dixons retreating in ignominy. The £1.8 billion (Rs. 3,330 crores) bid, which appeared to be in Dixons' favour, would have made Woolworth-Dixons the sixth largest retailing group in the UK, with an annual estimated sales turnover of $1.42 billion and 1,725 retails outlets. Shareholders' lack of confidence was a major cause of Dixons' failure—the latter won the backing of only 35% of Woolworth's shareholders.

competition success review

means the greatest economy and reach for you.

Competition Success Review, with a net paid circulation of 2,90,678 copies has been placed 1st among English monthlies by the Audit Bureau of Circulations.

The reach of Competition Success Review and its diversity of readership will probably surprise you! Here are the facts and figures about the magazine as revealed by the National Readership Survey III.

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Its 8.95 lakh readers have a monthly income of over Rs.1500/- while 9.83 lakh readers have an income ranging from Rs.750/- to Rs.1500/- every month.

The 20 — 34 age group

You know about the 20 to 34 age group. Young and waiting to know what the world has to offer them. A generation that picks up brand loyalties for life. Now take a look at the vehicle that has the highest reach in this crowd.

Magazine	Readers (in lakhs)
Competition Success Review	**14.56**
India Today	12.88
Reader's Digest	12.14
Sunday	11.40
Stardust	9.29

Proven figures that point to the one magazine that effectively introduces you to this ambitious majority.

Female Readership

Meet another decision maker. The Indian woman. The lady who purchases a wide range of consumer goods. From lipsticks to pressure cookers. Besides influencing brand decisions on most domestic appliances. Take a look at Competition Success Review's position among English magazines for women.

Magazine	Readers (in lakhs)
Competition Success Review	**4.29**
Femina	3.43
Woman's Era	1.25
Society	0.89
Eve's Weekly	0.88

Now you know the one magazine that offers you firm support for influencing the fairer sex.

competition success review

The least expensive medium among top ranking magazines.

alfredallan/CSR/015/86

BIRLA JUTE

Massive expansion

Birla Jute & Industries Ltd., the historic first industrial venture of the Birla group, incorporated way back in 1919, is all set to touch the Rs. 500 crore sales mark by the end of this decade.

The company, initially a jute mill which later diversified into the manufacture of cement, calcium carbide, synthetic yarns and oxygen and other industrial gases, has chalked out a massive Rs. 200 crore expansion-cum-diversification programme. Currently the company is implementing a Rs. 61 crore expansion programme to raise the capacity of its Chittorgarh cement plant from the present 4 lakh tonnes per annum to 9 lakh tonnes. It has also embarked upon a Rs. 63 crore modernisation plan for its Satna cement unit with the help of a World Bank loan. Under this programme, the old wet process kilns of 5.81 lakh tonnes per annum capacity will be replaced by a new dry process kiln of 7.5 lakh tonnes per annum capacity. With the completion of these two projects, the total cement manufacturing capacity of the company will exceed 3 million tonnes per annum.

At the same time, the company proposes to further diversify its activities by entering the sponge iron manufacturing business. It has already secured a letter of intent for setting up a 40,000 tonnes per annum plant at Patratu in Bihar.

BHARAT VIJAY MILLS

On recovery road

Bharat Vijay Mills Ltd., the Kalol (Gujarat)-based textile manufacturing unit which suffered a severe financial setback during the company's year ended 31st December 1985 thereby forcing the management to skip the payment of equity dividend, is on the recovery track and shareholders can entertain hopes of the company re-entering the dividend list in its current year ending 31st December 1986.

Last year (1985) the company suffered a sharp fall in its gross profit by as much as 57%, resulting in a loss of Rs. 32 lakhs in striking contrast to a net profit of Rs. 1.37 crores realised in 1984.

However, the outlook for the company has improved considerably in the current year with the disposal of its loss-making Ahmedabad textile unit. This divestiture has not only rid the company of a white elephant, but has also improved its liquidity. In the meanwhile, the company's Kalol textile mill is doing quite well as the demand for cloth has improved of late.

At the same time, the company's thermoplastic profiles project which was commissioned towards the close of the last year, is doing well in the very first year of its operations. The demand for the products of the new plant is picking up and the benefits of this will be reflected in the current year's profit and loss account. All these developments indicate that the company's performance during the current year will improve markedly.

BOMBAY PAINTS

Encouraging outlook

The current year (1986) outlook for Bombay Paints & Allied Industries Ltd., a relatively small-sized paints manufacturing company (which markets its paints under the brand name Kangaroo) is fairly good as the demand for the company's products is on the upswing at home as well as abroad.

The company's operational performance, which has been improving steadily but somewhat too slowly in recent years, is likely to indicate a marked improvement in the current year ending 31st December 1986. If actual half-time performance (January-June 1986) is any indication, the company's sales turnover which has been rising at an annual rate of about 17% in recent years, will register a better growth rate of around 30% this year. And likewise, profit at the gross level which has recorded an average annual growth rate of 12.5% in recent years, should show an improvement of over 20% this year.

In the light of these developments, the management of the company should experience little difficulty in maintaining the company's equity dividend at 12% even on the higher capital base consequent to the 3:10 bonus issue made last year.

Companies this fortnight

(Rs. crores)

	Birla Jute			Bharat Vijay			Bombay Paints		
	(year ending March)			(year ending December)			(year ending December)		
	1984	1985	1986	1983	1984	1985	1983	1984	1985
Sales	227.88	283.96	294.67	58.48	62.76	60.06	10.23	12.25	14.33
Gross profit	24.50	20.53	30.83	2.56	1.74	0.74	0.27	0.32	0.36
Paid-up capital	8.35	8.70	20.38	2.82	2.82	2.82	0.33	0.33	0.43
Reserves	88.88	159.41	151.16	8.50	20.12	19.58	0.42	0.44	1.10
Gross fixed assets	169.01	264.90	315.41	21.64	35.42	37.84	1.02	1.13	2.10
Dividend (%)	18.50	18.50	16.00	15.00	10.00	Nil	12.00	12.00	12.00
Earnings per share (Rs.)	15.49	9.43	7.21	26.00	49.00	—2.78	2.40	1.78	2.03
Paid-up value (Rs.)	10.00	10.00	10.00	100.00	100.00	100.00	10.00	10.00	10.00
Market price as on 4th July 1986 (Rs.)			67.50			200.00			19.00

BusinessWorld
July 21—August 3, 1986

BHEL

Two large orders

The New Delhi-based public sector giant Bharat Heavy Electricals Ltd. (BHEL — sales ; Rs.1,539.92 crores in the year ended 31st March 1985), which manufactures a wide range of power generation equipment, has bagged an order from the Oil & Natural Gas Commission (ONGC) for a prestigious Rs.36 crore turnkey project to install two 20 Mw gas turbines together with waste heat recovery systems at ONGC's Hazira complex near Surat in Gujarat. According to company sources, BHEL won the contract despite stiff competition from several international companies. The plant will generate electricity and steam, utilising natural gas for driving the turbines. BHEL had earlier installed a similar power plant at ONGC's Uran complex near Bombay.

BHEL has also bagged an order from Ahmedabad Electricity Co. for the supply of the largest indigenously manufactured boiler based on the fluidised bed combustion technology.

GIC

Dividend maintained

The Bombay-based General Insurance Corporation of India, the holding company of subsidiaries such as National Insurance Co. Ltd., New India Assurance Co. Ltd., and United Fire & General Insurance Co. Ltd., has reported an improvement in operational results for the year ended 31st December 1985. Total gross premium income at Rs.1,204 crores was 16.4% higher than in 1984. However, due to a revision of the salaries of the employees and higher claims especially in respect of motor insurance claims, the underwriting profit of the nationalised company declined from Rs.39.59 crores in 1984 to Rs.12.42 crores in 1985.

Despite this, total profit rose to Rs.264 crores *cf.* Rs.247 crores in 1984, due to an increase in its investment income to Rs.251 crores *cf.* Rs.205 crores in the previous year. Consequently, the corporation has maintained a 25% dividend for the recently concluded year, paid on the enhanced capital subsequent to the corporation having issued bonus shares in the ratio of 1:2 in January this year, increasing its equity capital to Rs.64.5 crores.

During 1985, the corporation (which has over 2,700 offices all over India) introduced a comprehensive crop insurance scheme for farmers and a personal accident insurance cum social security scheme for poor families.

IPCL

Impressive results

The Baroda-based public sector petrochemicals manufacturing giant, the Indian Petrochemicals Corporation Ltd. (IPCL), has posted impressive operational results in its financial year ended 31st March 1986. Sales at Rs.687 crores were 17.2% higher than in 1984-85, while profit at the gross level rose 10% to Rs.131 crores. Net profit rose to Rs.78 crores from Rs.61 crores.

The improved performance of the company is attributed mainly to higher capacity utilisation and improved supply to customers through the company's 50 distribution points. IPCL plans to pay a total of Rs.18.60 crores by way of dividends for the recently concluded year.

Construction work at the company's second major petrochemicals complex at Nagothane (Raigad, Maharashtra) is proceeding apace, and over the next few years the company plans to further diversify its operations.

BAJAJ TEMPO

Ambitious expansion

The Pune-based Bajaj Tempo Ltd. (sales: Rs.121 crores in the year ended 30th September 1985), the largest indigenous manufacturer of light commercial vehicles, has signed an agreement with the International Finance Corporation (IFC) — the lending affiliate of the World Bank — under which the latter will advance a loan of $16.62 million (Rs.19.74 crores) towards the company's Rs.63.18 crore expansion project. The IFC itself will advance half the loan amount, while the other half will be advanced by Citicorp Bank (Switzerland) and Grindlays Bank plc. The remainder of the project cost will be met through foreign exchange loans from indigenous term lending institutions and through internal cash generation.

Under this project, Bajaj Tempo's plant at Akurdi near Pune in Maharashtra will produce automotive components and sub-assemblies in addition to its existing lines of vehicles (capacity: 15,000 per annum) and diesel engines (capacity: 3,000 per annum). Also, a new plant will be constructed at Pithampur, Madhya Pradesh to manufacture 18,000 of the company's current model pickup trucks and 12,000 new Diamler-Benz designed van-type automotive vehicles.

J.K. SYNTHETICS

Spectacular profit spurt

The well-known Kanpur-based company, JK Synthetics Ltd., which describes itself as "the only manufacturer in India producing the

Some forthcoming public issues

Company	Type	Date	Issue size (Rs. crores)	Purpose
Modern Properties	E	21st July	0.80	Part financing projects
Ross Murarka Money Growth	E	21st July	1.20	Long term working capital
Gujarat Wedge Wires	E	21st July	0.32	Expansion and modernisation
Khoday Distilleries	E & NCD	28th July	9.60	Expansion and modernisation
Jetking Electronics	E	30th July	0.60	Long term working capital
Hindustan Alloys	E	31st July	1.00	Expansion and modernisation
Partap Steel Rolling	E & NCD	4th August	5.58	Part financing expansion projects

E=Equity, face value Rs. 10, NCD=Non-convertible debentures, value Rs. 100 complete range of synthetic fibres and yarns and the largest manufacturer of white cement in the country," recorded excellent results in the year ended 31st March 1986. Sales turnover crossed the Rs.500 crore mark *cf.* Rs.420 crores recorded in 1984-85. Gross profit at Rs.61.54 crores was 80% higher than the previous year's Rs.34.06 crores while net profit rose spectacularly from Rs.9.84 crores to Rs.41.11 crores. Not surprisingly, the dividend payable on equity shares has been hiked to 20% *cf.* 15% in 1984-85.

The company which recently expanded the manufacturing capacity of its polyester staple fibre and polyester yarn plants is now expanding its acrylic staple fibre, nylon tyre cord, grey cement and white cement capacities. The company also plans to enter the electronics business soon with the manufacture of fascimile systems and computer software.

POLYOLEFINS

Massive expansion programme

The Bombay-based Polyolefins Industries Ltd. (PIL), the (Arvind) Mafatlal group company which manufactures plastics, industrial chemicals and gases, recently announced its operational results for the year ended 31st December 1985. Sales turnover at Rs.115 crores was slightly lower than the Rs.116.07 crores recorded in 1984. However gross operating profit rose to Rs.14.82 crores in 1985 from Rs.12.57 crores in the previous year, while net profit at Rs.8.95 crores was 23.8% higher than in the previous year. The company's board of directors has recommended a 20% dividend for the year.

Meanwhile, the management of PIL has announced a massive Rs.300-Rs.350 crores expansion and diversification programme to be implemented over the next five years. The most ambitious of the projects included in this plan is the Rs.150 crore modernisation and expansion of the company's existing polyethylene plant.

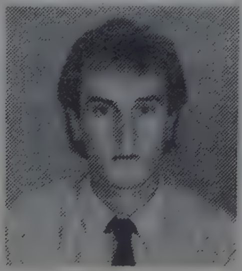
Projects already under implementation under the plan are a Rs.26 crore project for the manufacture of ethylene vinyl and a Rs.5 crore project for manufacturing pre-vulcanising inhibitors. These and other projects are expected to augment the company's sales to over Rs.400 crores by the end of the current decade.

PEOPLE & PLACEMENTS

A.K. KHOSLA has been appointed chairman of General Electric Co. of India Ltd.

J.S. MANI has been appointed the first managing director of Jyeshta Communications Pvt. Ltd., Bombay

DAVID OGILVY has taken over as chairman of Ogilvy, Benson & Mather, India



ED MOODIE has taken charge as manager, India, Nepal and Bangladesh, for Cathay Pacific Airways, Bombay

T. SHANMUGAM has taken over as president, Anura Finance Ltd., a subsidiary of Aruna Sugars Ltd., Madras

H.S. PURUSHOTTAM has been promoted to the position of vice president (finance), Garware Plastics & Polyester Ltd., Bombay

P.M. THAMPI has been appointed managing director of BASF India Ltd., Bombay

S. SOLANKI has been appointed director (smelting operations) of Hindustan Zinc Ltd., Udaipur

C.R. SENGUPTA has been appointed director of Bihar Alloy Steels Ltd.

A.V. SUBRAMANIAN has taken charge as chief (additional — investment) of the Life Insurance Corporation of India, Bombay

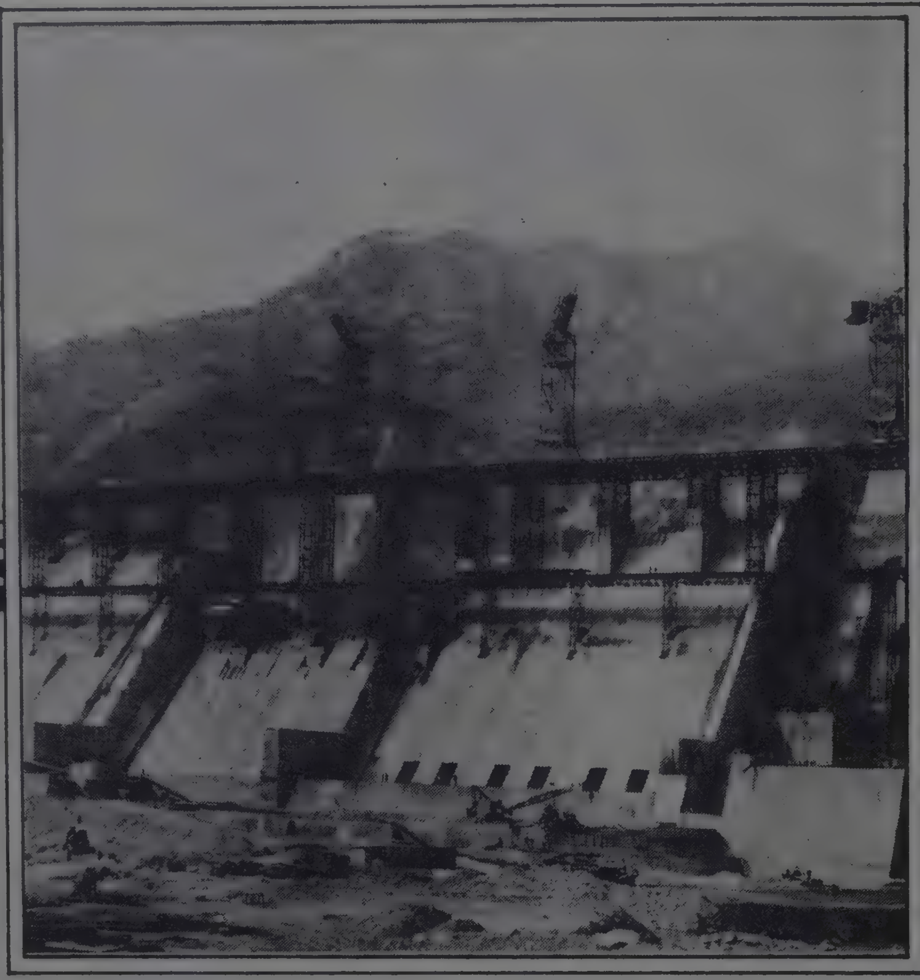
U. MAHESH RAO has been appointed general manager, Oriental Insurance Co., New Delhi

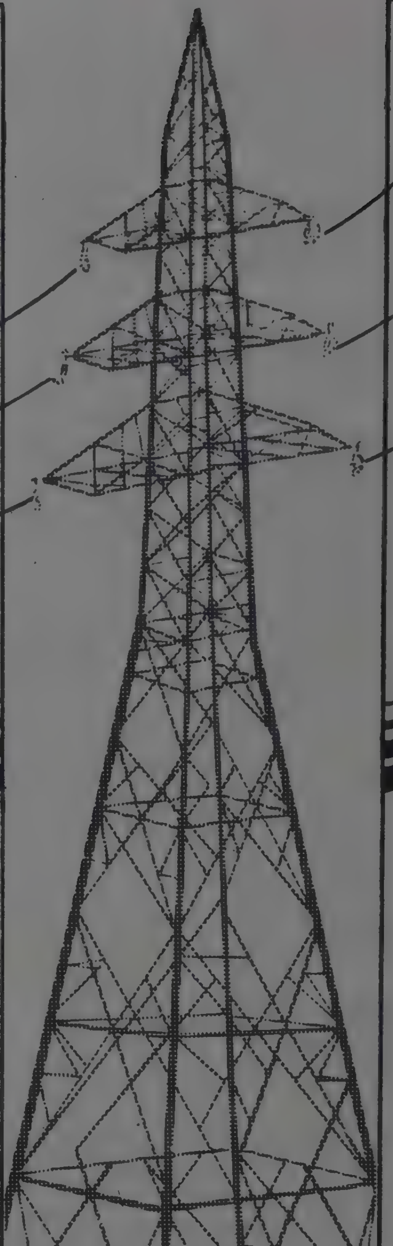
A.K. DUTTA has taken charge as director, Indian Institute of Port Management, Calcutta

V.K. NEVATIA has taken charge as chairman of the Motor Industries Association, Calcutta

SHEKHAR BAJAJ has been elected secretary general of the Electric Lamp and Component Manufacturers' Association of India, Bombay

PROSPERITY THROUGH POWER





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India enjoys a huge hydropower potential–about one lakh MW at 60% load factor–of which a mere 15% has so far been exploited. Gigantic efforts are now being made to harness the vast unutilised potential . . . and provide more power to the people. Channelising this massive endeavour on an all-India basis is the National Hydroelectric Power Corporation Ltd., set up in 1975.

Powerful Performance

In just 10 years, NHPC has built up an impressive track record: 3 projects commissioned, 5 under construction, 8 on the anvil and many more under investigation. NHPC is active in power transmission too–erecting Extra High Voltage transmission lines and sub-stations for the widespread distribution of power. With an authorised share capital of Rs. 800 crores, NHPC projects in hand involve investment of over Rs. 3,000 crores.

IN 1985-86, NHPC's operational power stations achieved a remarkable 80% capacity utilisation–far higher than the national average. And the Corporation's gross profit has risen to Rs. 36 crores in 1985-86 and is expected to cross Rs. 40 crores in 1986-87.

Comprehensive Capability

Manned by highly qualified and experienced professionals, NHPC has developed specialised capability in every aspect of hydropower activity–from concept to commissioning. NHPC is indeed going a long way in bringing prosperity to the people . . . even in the far-flung regions of the country.

NHPC. Generating power . . . profits . . . prosperity.

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Sohhagya/431/86

Premia advantages

The government of India — and more particularly the Union ministry of finance — have somewhat belatedly recognised that the issue of equity shares by existing listed companies must bear some relation to the market prices of the company's shares. In other words, the government has now recognised the case for granting premia on new issues which reflect the market price of a company's shares. Hitherto, the rate of premium on such share capital issues was computed on the basis of a company's net worth (i.e. the total of issued share capital and reserves) and profits in recent years.

The government now proposes to amend the guidelines governing premia on additional share capital issues by companies. Under the terms of the amended guidelines, companies will be permitted to issue new equity shares at a premium so that the total issue price of new shares is equal to the market price of the company's existing shares.

A change along these lines in the capital issue guidelines laid down in the Capital Issues (Control) Act, 1947, is both overdue and essential. Returns on investment in equity shares should bear some relation to the rates of return available on alternative uses of investible funds such as bank deposits. If there is a wide difference between returns in alternative avenues, the money markets develop distortions which are inimical to long term growth. Thus, if an investor can anticipate capital appreciation and dividends on shares purchased at the market price which are equivalent to, or slightly greater than, the returns in other avenues of investment, the issue of shares at prevailing market prices should be regarded as being fair. However, there is an element of risk involved in investing in equities, so the investor should legitimately expect a rate of return commensurate with the degree of risk involved. Riskiness is however a subjective perception, and is best determined by the unfettered operation of market forces.

Price distortion. Investment in bullion, precious stones and antiques in this country are not subject to any price regulation by the government and the purchase prices of these commodities are permitted to be determined by the free operation of market forces. On the other hand, where administrative regulation obtains, as for instance, in real estate and property to the extent that residential premises in old buildings are subject to the provisions of the Rent Control Act in metropolitan areas such as Bombay, the restraint has led to distortions in real estate prices resulting in new residential accommodation being sold at unduly inflated and rising prices while the existing old premises are rendered unmarketable in effect.

Restrictions are also imposed under the Gold Control Act on the purchase price of gold in bullion form and the quantity of gold that can be purchased in the form of ornaments. However, the government is now reportedly examining the case for liberalisation in the purchase of gold in the form of ornaments and also of the Rent Control Act to enable landlords to rent their property at market rates.

Similarly, the restrictions placed on the premia chargeable on additional equity share issues by existing companies also has the effect of distorting the capital markets in general and of the prices of the company's already listed shares in particular. For instance, the listed shares of companies which announce the issue of additional shares at zero or minimal premia on a rights basis tend to rise to levels which reflect the aggregate market value of the existing and new shares together.

> **'Under the terms of the amended guidelines, companies will be permitted to issue new equity shares at a premium so that the total issue price of new shares is equal to the market price of the company's existing shares'**

Thus, while the already issued and listed share registers a sudden and sharp appreciation in value that may not be related to the immediate business prospects of the company, the new shares are sold by the company for a song. The company loses out in the process, but newly attracted investors do not profit either as they will be required to purchase the existing shares at inflated quotations on the market so as to secure the allotment of the new rights shares. However it does afford existing shareholders the advantage of buying the new shares at a lower price compared to the scrip's ruling quotation on the market.

Consequent to their being listed and becoming *pari passu* with the existing shares for the purpose of dividend payments, new shares eventually appreciate in value till their prices are equal to those of the earlier scrips. However, both new investors and existing shareholders benefit in the end by the offer of additional equity by companies at rational premia.

Welcome proposal. The government proposal to modify the existing administrative regulations relating to new issue premia and to permit the fixation of these premia at near market rates is thus welcome, as it is designed to correct the distortions that the prevalent practice of regulating premium rates has brought in its trail in the capital market and for the companies. But even as the government attempts to relate the permitted share premium to an equity share's current market value, the present proposal is half-hearted because the government intends to retain the right to regulate the rate of premium to levels that correspond to a company's listed shares.

This precludes the possibility of new shares being issued at prices which are higher than those of existing listed shares. It is arguable that at least in some instances, investors may be willing to pay higher than current market prices for new shares if the new capital is being invested in projects which are likely to be more profitable than a company's existing operations.

On the other hand, in a country such as the US, where market forces reign supreme in virtually all economic matters, even unlisted companies entering the capital market for the first time are allowed to issue shares at a price that the market can bear. New share prices are not adjudged and fixed by any government agency in that country. They are left to be determined by the free play of the market forces.

Legal requirement. Issue houses and merchant bankers typically help a company enter the capital market and offer its equity shares at a price at which the market would accept. Investor interest is however safeguarded by the legal requirement that a company wishing to enter the markets anew must have a minimum three year record of successful and profitable operations. This period is long enough for a new company to establish its credentials and for investors to judge by its track record as to what price its equity is worth.

Now that the Union government has recognised the need to permit more realistic premia on the issue of additional shares by existing companies, it would do well to adopt a similar proviso to safeguard investors' interests.

Artymon

BusinessWorld
July 21—August 3, 1986

Bearish trend

Despite continued political instability in Punjab and several other states in the country, equity values staged a slight recovery on the stock exchanges consequent to bear covering and renewed support emerging at lower levels during the fortnight ended 11th July. However, the trading sentiment was affected towards the close of the fortnight by the lull in the monsoon in some parts of the country.

Reflecting the upward trend in equities *The Economic Times* index of ordinary shares (1969-70 = 100) moved up from 510.2 on 1st July to 512.2 on 11th July. Similarly the *Financial Express* index of equity values inched up from 357.37 to 359.21 during the same period.

The highlight of trading during the fortnight under review was the unprecedented rise in the quotation of Bajaj Auto. The scrip gained Rs. 275 (8.46%) to scale an all-time new peak at Rs. 3,525 on reports that the company had fared exceedingly well during its year ended 30th June 1986. Besides TELCO shares also flared up by Rs. 60 (9.67%) during the fortnight on rumours that UTI had bought 4,000 shares during the past few days. Consequently the *ET* index for engineering shares moved up by 2.43% to 956.7 during the fortnight ended 11th July.

Man-made fibre equities exhibited a bullish trend with the *ET* index for these scrips moving up by 1.61% to 842.7. The upward trend was attributed to encouraging results posted by several companies. Paper equities too looked up on fresh investment inquiry. As a result the *ET* index for these scrips moved up from 661 on 1st July to 669 on 11th July.

In sharp contrast to the secular upward trend, fertiliser equities declined sharply following reports of a glut in the fertiliser market. Consequently the *ET* index for these scrips lost 2.32%, moving down to 818.2 during the fortnight under review. Cement shares too were subdued, with the *ET* index for these scrips moving down by 10.97% to 189.8.

"Due to the uncertain governmental policy *vis-a-vis* the capital markets and the ban on the conversion of debentures into equity shares, investor confidence in general has been shaken, resulting in the capital market becoming sluggish. Non-resident investors in particular have been discouraged from making new investments. Besides, the fact that huge funds are still locked up in new issue applications means that the bearish trend is likely to continue for some time," observes M.R. Mondkar, vice president, J.M. Financial & Investment Consultancy Services Pvt. Ltd.

S. Dhruv

BOMBAY

Name/Industries 1	1985 Price range High - Low 2 3 (Rs.) (Rs.)	Dividend per share 4 (Rs.)	Opening 30-6-86 5 (Rs.)	Closing 11-7-86 6 (Rs.)	Yield 7 %
Textiles					
Baroda Rayon (100)	500.00 - 282.00	15.00	295.00	302.00	5.0
Bombay Dyeing (25)	156.00 - 63.00	1.75*	93.00	95.00	1.8
Century Spg. (100)	1530.00 - 805.00	24.00*	800.00	770.00	3.1
Century Enka (100)	1240.00 - 600.00	34.00	1180.00	1180.00	2.9
Garware Nylon (10)	64.00 - 24.50	1.80	42.00	43.00	4.2
Gwalior Rayon (10)	88.00 - 53.50	2.20	74.00	75.00	2.9
Indian Rayon (10)	144.00 - 65.00	2.40	133.00	135.50	1.8
JK Synthetics (10)	118.00 - 51.70	1.50	109.50	111.50	1.3
Mafatlal Ind. (125)	400.00 - 235.00	22.00	470.00	465.00	4.7
Nirlon (10)	73.00 - 37.00	2.25■	40.00	36.60	6.2
Reliance Ind. (10)	252.00 - 121.00	4.00	349.50	362.00	1.1
S. I. Viscose (100)	285.00 - 170.00	15.00	210.00	215.00	7.0
Standard Mills (100)	475.00 - 272.00	12.00	445.00	435.00	2.8
Paper					
Andhra Pradesh (100)	195.00 - 160.00	20.00	152.50	150.00	13.3
Ballarpur (10)	68.00 - 43.00	2.20■	54.50	55.00	4.0
Bhadrachalam (10)	36.00 - 20.50	N.A.	40.00	39.50	4.0
Jayant Paper (10)	28.00 - 13.50	2.00	18.00	20.00	10.0
Orient Paper (10)	101.00 - 59.00	2.00	81.50	81.50	2.5
Steel					
Mukand (10)	54.00 - 21.75	N.A.	44.00	43.00	...
Tata Steel (100)	1255.00 - 379.50	21.00	1437.50	1412.50	1.5
Zenith Steel (10)	78.00 - 27.50	2.50	84.00	88.00	2.8
Metal & Alloys					
Bihar Alloys (10)	26.00 - 8.25	N.A.	18.50	18.25	...
Ferro Alloys (100)	275.00 - 125.00	12.50	327.50	330.00	3.8
Hindustan Alum (10)	94.00 - 51.00	1.35*	79.00	75.50	1.8
Mahindra Ugine (10)	49.00 - 27.00	N.A.	28.00	28.00	...
Engineering					
Antifric Bearings (10)	50.00 - 21.50	1.40	19.50	19.50	7.2
Associated Bearing (100)	800.00 - 435.00	20.00	725.00	715.00	2.8
Atlas Copco (10)	72.00 - 35.00	1.20	80.00	79.50	1.5
Bharat Forge (10)	90.00 - 29.00	1.80■	62.00	69.00	2.6
Bharat Gears (10)	60.00 - 27.50	1.80	27.00	27.00	6.7
Blue Star (10)	92.50 - 32.50	2.00	95.00	95.00	2.1
Elecon (10)	108.00 - 54.50	1.70	117.00	112.00	1.5
Greaves Cotton (100)	350.00 - 202.50	17.00■	280.00	280.00	6.1
Hind Lever (10)	128.00 - 50.75	2.40	158.00	164.00	1.5
Ingersoll-Rand (10)	365.00 - 159.00	3.50	465.00	260.00	1.3
KEC Int. (10)	40.00 - 24.00	1.25	20.00	20.00	6.3
Kinetic Engg. (10)	360.00 - 128.00	2.50	322.50	365.00	0.7
Kirloskar Cummins (100)	753.50 - 500.00	15.00	680.00	666.00	2.3
Kirloskar Oil (10)	36.00 - 19.50	1.25	15.50	14.00	8.9
Larsen & Toubro (10)	193.00 - 72.00	2.40	126.00	127.50	1.9
Mahindra & Mahindra (10)	102.00 - 47.50	1.80*	55.00	53.00	2.4
Otis Elevator (10)	215.00 - 85.00	2.50	120.00	127.50	2.0
Premier Auto (100)	1150.00 - 310.00	21.00	815.00	822.50	2.6
Pressure Cookers (10)	49.00 - 25.00	1.90	35.00	34.00	5.6
Tata Engg. (100)	1030.00 - 406.00	23.00	625.00	635.00	3.6
Voltas (100)	470.00 - 358.00	10.00■	235.00	225.00	4.4
Automobiles					
Bajaj Auto (100)	2075.00 - 855.00	30.00	3225.00	3525.00	0.9
Bajaj Tempo (10)	280.00 - 143.00	2.50	122.50	127.50	2.0
Escorts (10)	102.00 - 45.75	2.20	106.00	108.00	2.0
Motor Industries (100)	815.00 - 321.25	15.00	865.00	865.00	1.7
Cables & Electricals					
Asian Cables (100)	215.00 - 112.50	10.00	175.00	175.00	5.7
Bajaj Electricals (100)	340.00 - 115.00	20.00■	745.00	750.00	2.7
Bharat Bijlee (100)	300.00 - 105.00	16.00	347.50	347.50	4.6
Crompton Greaves (100)	350.00 - 257.50	10.00	280.00	280.00	3.6
Peico Electronics (10)	103.00 - 38.50	2.00	54.00	54.00	3.7
Siemens India (10)	87.50 - 38.00	1.40	70.00	79.00	1.8
Dyes & Chemicals					
Amar Dye-Chem (100)	95.00 - 62.50	12.00*	40.00	32.50	36.9
Bayer (100)	480.00 - 320.00	18.00	525.00	565.00	3.2
I.E.L. Ltd. (10)	80.00 - 32.70	2.00	65.00	66.00	3.0
Colour-Chem (100)	335.00 - 185.00	12.00*	265.00	267.50	4.5
Cynamid (10)	80.00 - 35.00	25.00*	63.00	62.00	40.2
Glaxo (10)	75.00 - 23.75	1.80	62.00	64.00	2.8
G S F C (100)	895.00 - 534.00	24.00	161.00	160.00	15.0
Herdillia Chem (10)	67.00 - 25.50	1.80	43.00	43.00	4.2
Mafatlal Dyes (10)	33.00 - 23.50	1.70	22.00	24.00	7.1
Mangalore Chem (10)	50.00 - 19.50	N.A.	44.50	45.00	...
Indian Dyestuffs (100)	390.00 - 267.50	16.00	270.00	270.00	5.9
Indian Organic (10)	141.00 - 50.25	18.00■	70.00	72.00	25.0
Pfizer (10)	100.00 - 39.00	2.00	96.00	80.00	2.5
Polychem (50)	181.00 - 60.00	10.00	120.00	135.00	7.4
Sandoz (10)	80.00 - 31.00	1.40	110.00	110.00	1.3
Sandvik Asia (100)	575.00 - 340.00	10.00	675.00	670.00	1.5
Tata Chem. (10)	155.00 - 64.50	2.50	105.00	102.50	2.4
Warner Hind (10)	75.00 - 36.00	2.50■	70.00	75.00	3.3
Zuari Agro (10)	94.00 - 46.00	2.25■	87.00	86.00	2.6
Shipping					
Chowgule (10)	16.50 - 5.00	N.A.	7.50	7.00	...
Great Eastern (10)	34.00 - 14.25	0.70	23.50	23.00	3.0
Scindia (20)	21.50 - 7.00	N.A.	8.50	8.25	...

Name/Industries 1	1985 Price range High - Low 2 3 (Rs.) (Rs.)	Dividend per share 4 (Rs.)	Opening 30-6-86 5 (Rs.)	Closing 11-7-86 6 (Rs.)	Yield 7 %
BOMBAY					
Cement					
A C C (100)	610.00 - 380.00	20.00	258.00	251.00	8.0
Digvijay Cement (100)	230.00 - 180.00	20.00	180.00	170.00	11.8
Mysore Cement (10)	48.00 - 30.00	1.75	24.00	25.00	7.0
Raaci Cement (10)	60.00 - 31.00	1.80	28.00	28.00	6.4
Miscellaneous					
Andhra Valley (100)	180.00 - 121.00	16.00	200.00	207.50	7.7
Blow Plast (10)	122.00 - 44.00	2.50*	99.00	102.00	2.5
Colgate (10)	318.00 - 143.50	7.00*	271.00	287.50	2.4
East India Hotels (10)	53.00 - 25.50	2.00	44.00	46.00	4.3
Garware Marine (10)	33.00 - 14.00	1.40*	13.00	14.00	10.0
Gujarat Alkali (10)	65.00 - 38.00	2.50	61.00	60.00	4.2
Harri Malayalam (10)	76.00 - 38.00	2.50	43.00	42.00	6.0
Indian Hotels (10)	135.00 - 77.00	2.50	132.50	127.50	2.0
I.T.C. (10)	59.80 - 29.00	2.25	60.00	66.00	3.4
Lohia Machine (10)	85.00 - 43.50	2.00	36.00	38.00	5.3
Ponds (10)	218.00 - 103.00	4.50	297.50	342.50	1.3
VST Ind (10)	38.50 - 21.00	2.30	27.00	27.00	9.3
Wimco (10)	71.00 - 38.50	2.00	60.00	60.50	3.3
CALCUTTA					
Textiles					
Bharat Commerce (10)	27.00 - 13.75	1.00*	19.00	14.50	6.9
J. K. Cotton (10)	64.00 - 18.00	1.20*	74.00	71.00	1.7
Kesoram Ind (10)	85.00 - 52.00	2.35	66.00	62.50	3.8
Jute					
Birla Jute (10)	105.00 - 51.50	1.85	48.00	46.75	4.0
Reliance (10)	— - —	1.75*	39.00	39.00	4.5
Chemicals					
Chloride India (10)	95.00 - 58.00	2.20*	126.00	124.50	1.8
Indian Oxygen (10)	66.30 - 42.75	2.00*	53.50	52.00	3.8
Engineering					
Alfred Herbert (10)	25.00 - 16.00	1.50	20.75	14.25	10.5
Guest Keen (10)	35.25 - 20.00	0.50	20.00	19.00	2.6
India Foils (10)	78.00 - 38.75	2.00*	71.50	74.25	2.7
Macneil Magor (10)	250.00 - 127.00	12.00	32.00	32.00	37.5
Metal Box (10)	25.00 - 11.50	0.80*	19.60	19.30	4.1
Union Carbide (10)	38.00 - 16.75	0.50	23.75	23.35	2.1
Usha Martin (10)	48.00 - 26.00	1.60*	32.75	31.75	5.0
Tea					
Basmatia (10)	44.75 - 35.25	3.00	32.25	32.25	9.3
Brooke Bond (10)	83.00 - 46.50	2.50	58.00	58.00	4.3
Tata Tea (10)	177.00 - 64.00	5.00*	73.00	65.00	7.7
Miscellaneous					
Britannia Ind (10)	91.00 - 46.50	1.80	130.00	143.50	1.3
Davy Ashmore (10)	30.00 - 18.25	1.50*	18.00	19.75	7.6
English Elec (10)	114.00 - 70.00	3.50	99.00	99.00	3.5
Hindustan Motors (10)	127.00 - 37.10	2.00	41.10	40.90	4.9
Remington Rand (10)	80.00 - 36.50	2.00	34.25	33.50	6.0
Uni Cables (10)	65.00 - 26.50	1.50	75.00	76.50	2.0
DELHI					
Amrit Banaspati (10)	48.00 - 15.00	1.20*	38.00	44.00	2.7
D C M (25)	82.00 - 48.25	3.75	43.00	45.76	8.2
Escorts (10)	102.00 - 45.75	2.20*	102.50	109.00	2.0
Goetze India (10)	61.00 - 21.00	1.80*	50.00	55.00	3.3
Jagatjit Cotton (10)	— - —	1.40*	76.00	73.00	1.9
Kelvinator (10)	105.00 - 49.00	1.60	78.00	75.00	2.1
Modi Industries (10)	87.00 - 16.50	1.80	36.00	36.00	5.0
Prakash Tubes (10)	24.50 - 18.00	1.50	18.50	19.00	7.9
AHMEDABAD					
Anil Starch (100)	225.00 - 147.00	18.00	185.00	182.50	9.9
Aruna (100)	200.00 - 105.00	15.00*	140.00	140.00	10.7
Atul Prod. (100)	667.00 - 311.50	20.00	466.00	471.00	4.2
Bharat Vijay (100)	255.00 - 167.50	10.00	205.00	202.50	4.9
Calico (125)	235.00 - 108.00	N.A.	113.00	129.00	...
Cellulose Prod. (100)	— - —	8.00*	90.00	90.00	8.8
Guj. Steel (100)	300.00 - 140.00	15.00	247.50	242.50	6.2
Mafatlal Ind. (100)	390.00 - 235.00	22.00	454.00	494.00	4.5
Vallabh Glass (100)	275.00 - 105.00	22.00*	100.00	100.00	22.0
MADRAS					
Aluminium Ind. (10)	17.00 - 5.00	1.50*	7.40	7.50	20.0
Amrutanjan (10)	— - —	3.50	70.50	70.50	5.0
Andhra Cement (10)	— - —	1.50	23.25	22.75	6.6
Ashok Leyland (10)	58.00 - 25.00	1.80*	28.50	28.00	6.4
Enfield India (10)	101.00 - 45.00	2.00	58.00	60.00	3.3
Indian Cement (10)	46.00 - 20.00	2.00	26.50	24.50	8.2
Kothari Ind (10)	34.50 - 19.00	1.20*	16.00	16.00	7.5
Madura Coats (10)	69.00 - 27.25	2.50	56.00	54.00	4.6
Mysore Lamps (10)	84.00 - 40.00	2.50	65.00	67.50	3.7
Textool (100)	265.00 - 182.00	18.00	265.00	265.00	6.8

* Latest Available

Gainers	Between 30th June and 11th July
Apple Leasing(10)	+ 7.00
Asian Paints(10)	+ 5.00
Bajaj Auto(100)	+275.00
Ballarpur Ind.(10)	+ 1.00
Bayer(100)	+ 30.00
Bombay Dyeing(25)	+ 5.00
Colgate(10)	+ 22.50
Burroughs Wellcome(10)	+ 15.00
Food Specialities(10)	+ 12.50
Garware Nylon(10)	+ 0.50
Hind Ciba(100)	+ 10.00
Hoechst(100)	+ 20.00
Indian Rayon(10)	+ 2.00
Larsen & Toubro(10)	+ 3.00
MICO(100)	+ 20.00
Premier Automobilies(100)	+ 12.50
Reliance Industries(10)	+ 12.50
Straw Products(10)	+ 2.00
TELCO(100)	+ 60.00
Tata Power(100)	+ 5.00
Zenith(10)	+ 5.00

Losers	Between 30th June and 11th July
ACC(100)	- 3.00
Andhra Cement(10)	- 0.50
Ashok Leyland(10)	- 1.00
Assam Frontier(10)	- 2.85
Associated Bearing(100)	- 30.00
Atash Leasing(10)	- 4.00
Baroda Rayon(100)	- 17.00
Bihar Alloys(10)	- 1.00
Birla Jute(10)	- 1.50
Century Spinning(100)	- 30.00
Essar Shipping(10)	- 1.00
Garware Polyester(10)	- 0.50
Glaxo(10)	- 1.50
GSFC(100)	- 4.50
Hindustan Aluminium(10)	- 2.00
Hind Motors(10)	- 1.00
Mahindra & Mahindra(10)	- 2.50
Mangalore Chemicals(10)	- 2.00
NOCIL(100)	- 15.00
Orkay(10)	- 4.00
Pfizer(10)	- 14.00
Raymond(10)	- 2.00
SPIC(10)	- 11.00
Standard Mills(100)	- 25.00
Tata Chemicals(10)	- 2.00
Tata Oil(25)	- 9.00
TISCO(100)	- 47.50
Tata Tea(10)	- 9.00
Voltas(100)	- 10.00
Zuari Agro(10)	- 1.00

Indian commodity prices

Commodity	Variety/Centre	1985 High	1985 Low	Prices as on June 27, 1986	Prices as on July 11, 1986
Foodgrains (per quintal)					
Wheat	Desi-Delhi	285.00	222.50	280.00	270.00
Rice	Sela-Hapur	319.00	261.00	305.00	315.00
Gram	Desi-Bombay	607.50	437.50	410.00	410.00
Sugar (per quintal)	C-30, Bombay	783.00	475.50	572.00	592.00
Edible oils (per tonne)					
Groundnut	Wholesale Bombay	16,408.00	13,962.00	19,318.00	21,216.00
Mustard (tin)	K-Ghani-Delhi	197.50	175.50	242.50	242.50
Coconut	Cochin	31,750.00	14,700.00	18,600.00	19,850.00
Steel (per tonne)					
Rounds	6mm-Bombay	6,250.00	5,500.00	5,700.00	5,800.00
Angles	75x75x6mm	6,900.00	5,550.00	6,300.00	6,200.00
Non-ferrous metals (per quintal)					
Copper	Wire bar-Bombay,	4,935.00	4,590.00	4,620.00	4,660.00
Lead	Bombay	1,265.00	1,210.00	1,430.00	1,465.00
Ferrous scrap (per tonne)					
Heavy melting	No.1 Bombay	2,500.00	1,950.00	2,700.00	2,700.00
Re-rollable	Bombay	4,325.00	3,275.00	4,225.00	4,200.00
Chemicals (per 50 kg)					
Soda Ash	Tata	312.50	177.50	181.00	181.00
Caustic	Flakes	385.00	300.00	385.00	385.00
Cement (per bag of 50 kg)					
Controlled		42.50	41.00	42.50	42.50
Open market		85.00	60.00	57.00	57.00

Commodity prices abroad

Commodity	Centre	Currency/unit	Prices as on June 27, 1986	Prices as on July 11, 1986
Gold	London	$/ounce	342.25	350.35
	Zurich	$/ounce	342.10	350.50
	Hong Kong	$/ounce	342.40	350.80
Silver	New York	Cents/ounce	510.50	508.50
Copper (w.bar)	London	£/tonne	882.00-887.00	841.00-842.00
Soyabean oil	Chicago	Cents/pound	16.78	16.50
Palm oil	Malaysia	$/tonne	600.00	600.00
Castor oil	Rotterdam	$/tonne	725.00	725.00
Black pepper	Singapore	$/quintal	825.00	962.50
Rubber	Malaysia	$/tonne	209.00-211.00	209.00-211.00

Edible oil flare up

A sharp spurt in edible oil prices was the feature of trading in the Indian commodity markets during the fortnight ended 11th July.

Edible oils. Led by groundnut oil, edible oil prices registered a steep rise on account of the erratic progress of the monsoon thus far. Groundnut oil prices spurted by about Rs. 2,000 per tonne in Bombay and crossed the Rs. 21,000 per tonne mark. Rajkot, the main trading centre of the commodity in the country, recorded the all-time high price of Rs. 320 per 15 kg tin.

Prices of other edible oils also moved up in tandem with groundnut oil. Cottonseed oil prices advanced by over Rs. 1,000 to Rs. 16,800 per tonne, soyabean oil prices by over Rs. 1,200 per tonne to Rs. 16,800 and rapeseed oil prices by over Rs. 1,200 to Rs. 16,600 per tonne. Uncertainties about the rains influenced market sentiment considerably.

Foodgrains. While wheat prices were quiet, rice prices tended to harden on export enquiries. A steady to better tendency was in evidence in pulses.

Sweetening agents. Sugar prices ruled quiet on account of a larger quota of free sale sugar released for the current month. *Gur* prices exhibited a steadier tendency.

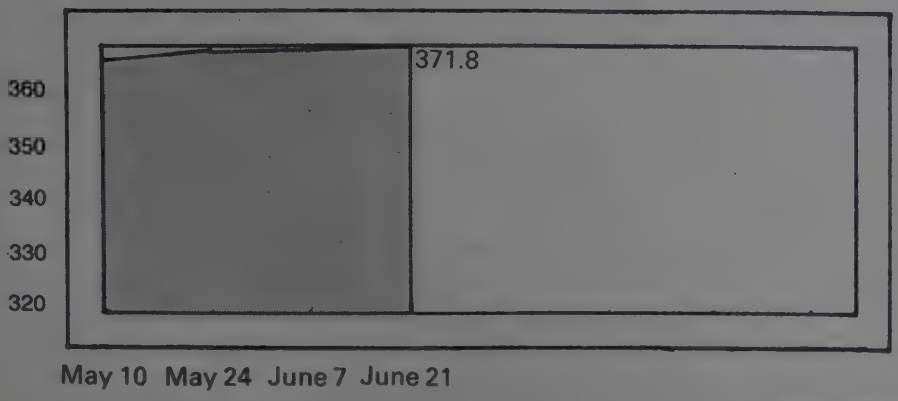
Fibre, yarn. Cotton prices ruled quiet on account of increased production and restricted offtake. The yarn market exhibited a steady tendency.

Metal, steel. Steel prices were subdued because of poor offtake. In the case of non-ferrous metals, copper prices ruled quiet on easier overseas advices but tin prices virtually crashed on account of a steep reduction in prices by the Minerals and Metals Trading Corporation.

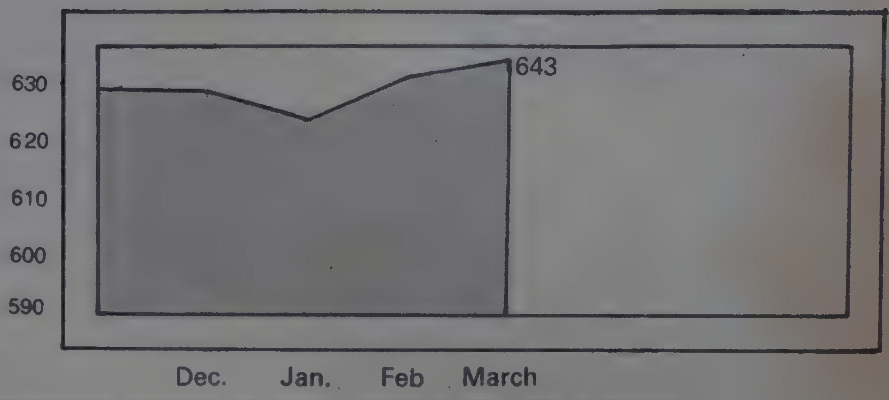
Chemicals, dyes. Prices of chlorine shot up on account of the manufacturers' decision to hike prices. The quotation moved up from around Rs. 1,200 to Rs. 1,600 per tonne. Soda ash and caustic soda prices ruled quietly steady.

The cement and *kirana* markets exhibited quietly steady conditions in restricted actively.

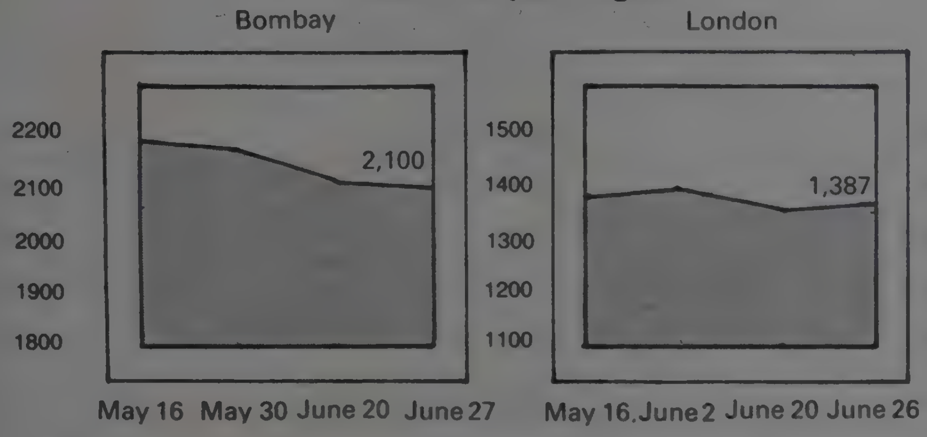
Wholesale Price Index (1970-71=100) 1986



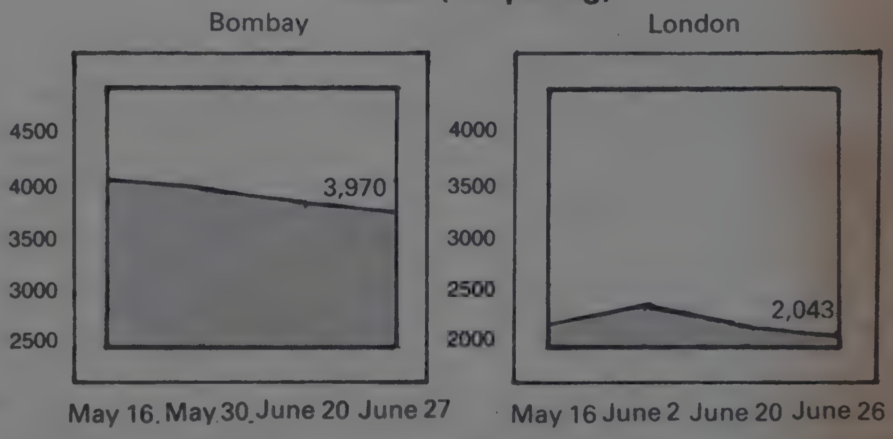
Consumer Price Index for Industrial Workers (1960-61=100) 1986



Gold (Rs. per 10 gm)



Silver (Rs. per kg)



London Interbank Offered Rates (LIBOR) ruling on 1st July 1986

	One month	Three months	Six months	One year
Sterling Pound	10.19	9.88	9.81	9.75
US dollar	7.00	6.81	6.81	7.88
West German Mark	4.56	4.63	4.69	4.75
Japanese Yen	4.75	4.75	4.75	4.75

Source: The Merchant Banking Division of the Standard Chartered Bank

Domestic interest rates (% per annum)

	1985 June 21	1986 June 20
Bank Rate	10.00	10.00
IDBI (direct loans)	14.00	14.00
NABARD (refinance)	6.50	6.50
Call money rate* (Bombay)	10.00	10.00
Exim Bank (suppliers' credit)	9.00	8.50**

* Weighted averages of rates reported by selected banks

** Effectvie from 21st February 1986

***Money Supply (M3)**	**(Rs.crores)**	**% change over**	
June 6, 1986	1,22,749	Fortnight	+0.9
May 23, 1986	1,21,683	Year	+16.5
June 7, 1985	1,05,354	Two years	+37.0

**** Aggregate Deposit**	**(Rs.crores)**	**% change over**	
June 6, 1986	90,432	Fortnight	+1.0
May 23, 1986	89,557	Year	+18.1
June 7, 1985	75,959	Two years	+41.3

***** Foreign Exchange Reserves**	**(Rs.crores)**	**% change over**	
June 6, 1986	5,676	Fortnight	−0.5
April 25, 1986	5,706	Year	+3.6
June 7, 1985	5,481	Two years	+27.6

Bank credit	**(Rs.crores)**	**% change over**	
June 6, 1986	81,740	Fortnight	+0.2
May 23, 1986	81,616	Year	+15.5
June 7, 1985	70,760	Two years	+34.1

Foreign Exchange Rates (Spot) 1985 Buying Rs.

	1986 June 28	1985 June 27
One P. Sterling	19.01	16.06
One US Dollar	12.51	12.39
One D. Mark	5.64	4.06
One hundred J. Yen	7.54	4.98

CSO Index of Industrial Production (1970=100) 1985

July	192.6	**1986**	
August	196.5	January	224.0
September	201.2	February	214.3
October	202.4	March	239.0
November	206.4	April	207.0
December	222.0	May	209.2

Notes: * *Comprises currency with the public plus deposit money of the public plus time deposit with banks*

** *Demand deposits plus time deposits with all scheduled banks*

*** *Including SDRs, excludes gold coins*

BusinessWorld
July 21—August 3, 1986

Chloride's new suitor

Some unexpected customers have recently been knocking on the doors of the London-based Chloride Group plc, the international batteries manufacturing giant which is currently on an asset-trimming spree to generate funds to finance a new factory for the manufacture of state-of-the-art sodium sulphur batteries. Given that its 51% equity holding in the blue-chip Calcutta-based Chloride India Ltd. (net sales: Rs. 79.18 crores in the year ended 31st August 1985) is on the divestment list, it is hardly surprising that of late a queue of hopefuls have been making formal and informal bids at the company's headquarters in London.

The dark horse of this league of hopefuls which reportedly includes B.M. Khaitan, chairman of Macneill & Magor Ltd., is none other than Manu Chhabria, the Dubai-based non-resident Indian who is currently waging a protracted legal battle to assert his rights as the dominant shareholder of another Calcutta-based company — Shaw Wallace & Co. Ltd. If the proverbial grapevine is to be believed, Chhabria has repeated the strategy which enabled him to outbid the fancied Nabisco Brands in the bidding for R.G. Shaw & Co., which owns 38.9% of the equity of Shaw Wallace.

Chhabria has informally told Chloride Group plc that he is prepared to pay £3 million (Rs. 5.5 crores) more than the highest bidder. According to reliable reports from London, the highest bid thus far has been £27 million offered by a consortium of NRIS. Chloride Group's "asking price" is believed to be around £40 million (Rs. 74 crores) which is, according to them, commensurate with Chloride India's market price of Rs. 126 (8th July) per equity share of Rs. 10 face value.

Judgement on Daniel

At the best of times, managing a company with two chief executives is a difficult proposition. It is even more so in the beleaguered drugs and pharmaceuticals industry in which profit margins have been squeezed to the bone by the Union government's antediluvian Drug Prices Control Order, 1979.

The consequence of blurred divisions of responsibility at the apex level has come into sharp focus with the sudden ouster of George Daniel, president and wholetime director of Hoechst India Ltd. (sales: Rs. 140.86 crores in the year ended 31st December 1985) who resigned from the company on 30th June. Daniel's abrupt resignation is being interpreted within corporate circles in Bombay as a victory for Dr. E. Baltin, the Hoechst AG-appointed managing director of the company. Alarmed by the poor performance of the drugs and pharmaceuticals division of the company hitherto supervised by Daniel, both the major shareholders in the company, Hoechst AG (40% of equity) and the Vijay Mallya-controlled United Breweries group (40%) have reportedly taken the decision to invest full corporate powers in Baltin and scrap the dual leadership experiment.

But moving quickly, Daniel has reportedly signed up with the Madras-based company Agrimas Chemicals Pvt. Ltd., part of the fast-growth Madras-based Coromandel group of companies, as chief executive.

Imposed settlement problems

The long standing feud between the brothers Kamani which has been subsisting since the death of P.R. Kamani in 1974, is on the brink of a final and irrevocable settlement. After five arbitrators — appointed during the last decade and more — failed to bring about a settlement between the members of the Kamani clan several months ago, the Supreme Court appointed Justice A.C. Gupta, a retired judge of the highest court in the land, as a mediator with wide-ranging powers to impose a solution on the feuding members of the Kamani family.

According to reliable reports, flummoxed by the complexities of the interconnection and cross shareholding of various members of the family in the Kamani-controlled companies, Justice Gupta has reportedly recommended the sale of the companies wholly controlled by the members of the Kamani family as also of the shareholding of members of the family in some widely held companies. With the Kamanis' controlling shareholding in the flagship Kamani Engineering Corporation Ltd. (now KEC Ltd.) already having been sold to the R.P. Goenka group in 1984, the sale of other defunct companies such as Kamani Tubes, X-ray Engineering, Indian Rubber Regenerating Co., which have downed shutters for quite some time now, presents few problems. Though all of them have large liabilities, they also have some valuable assets such as land and buildings.

However, the sale of the 53% shareholding of various members of the Kamani family in Kamani Metals and Alloys Ltd., the only subsisting and profitable company in the formerly flourishing Kamani group, is likely to pose a problem for the purchaser or purchasers. The incumbent management of the group which includes Ashish Kamani and which controls an estimated 37% of the company's equity, is likely to accord the purchaser of the majority shareholding an uncivil reception on the lines of that accorded to the Dubai-based non-resident Indian tycoon M.R. Chhabria by the incumbent management of Shaw Wallace & Co. led by S.P. Acharya.

Express self appraisals

The assumption on 1st July of the office of editor-in-chief of 10 editions of the *Indian Express* by former *India Today* managing editor Suman Dubey has generated ominous tremors within the Express group. Dubey re-enters the *Express* with an excellent reputation, having reportedly earlier rejected a proposal apparently mooted by the late Sanjay Gandhi to appoint him editor of the daily during the Emergency. Certainly his appointment is widely seen in media circles as a master stroke of the Express group's eccentric proprietor-chairman, Ramnath Goenka. The general expectation is that with his background in magazine journalism (*Far Eastern Economic Review, India Today*) Dubey is likely to beef up the news pages of the *Express* in particular.

Nevertheless, his appointment as editor-in-chief of the daily at the young age of 41 has created a mid-career crisis for several ambitious and long serving staffers within the *Indian Express.* Among them: Sumer Kaul, once considered heir apparent of outgoing editor-in-chief B.G. Verghese; Hiranmay Karlekar, former editor of the *Hindustan Times* and currently assistant editor of the *Indian Express*; A.N. Dhar, resident editor (Delhi); H.K. Dua, chief of the Express News Service and Rahul Singh, who was inducted into the *Express* in Bombay and peremptorily transferred to Chandigarh. According to reliable sources within the Express group, all these individuals are in the process of making mid-career self-appraisals.

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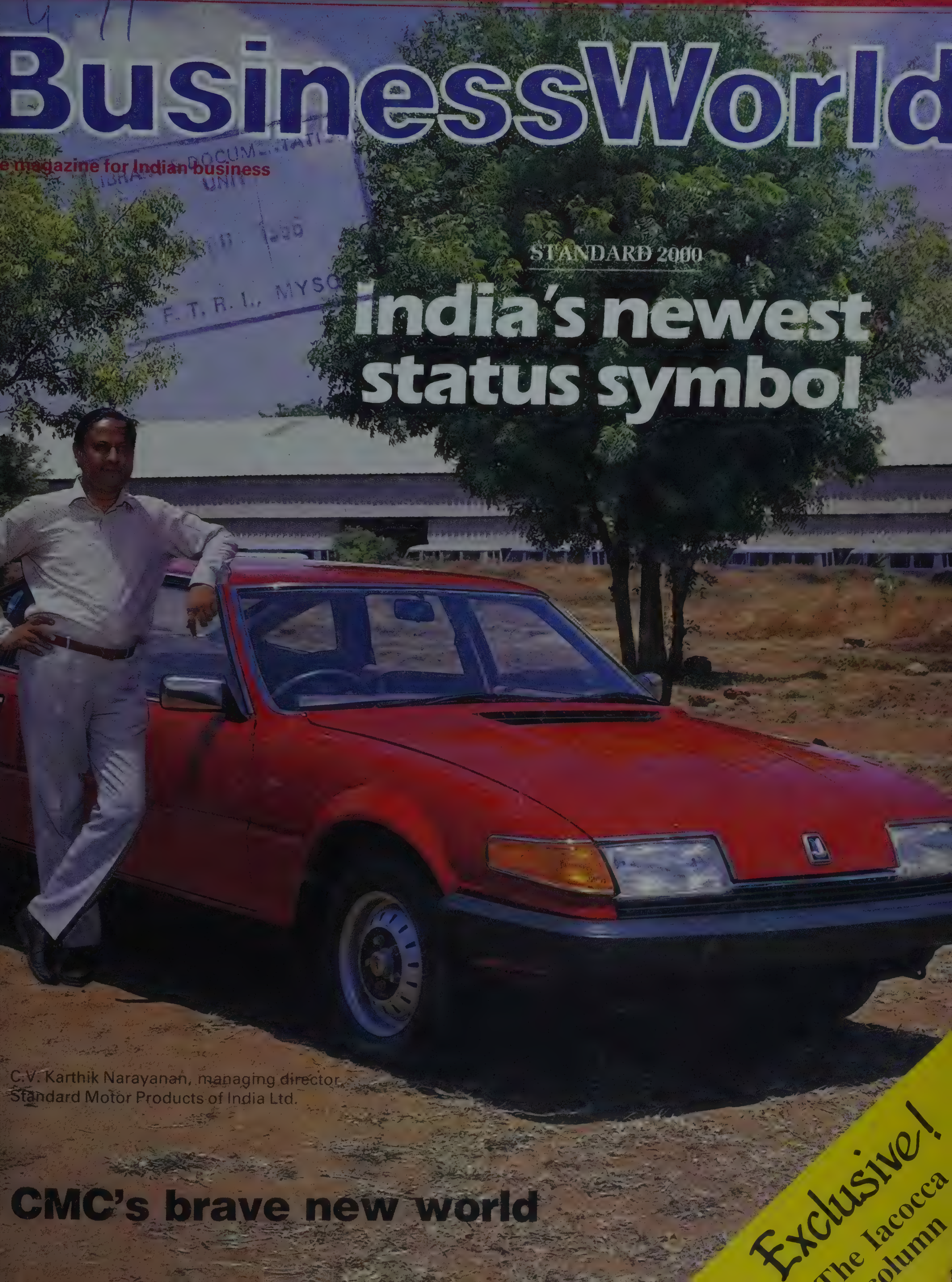

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C.V. Karthik Narayanan, managing director
Standard Motor Products of India Ltd.

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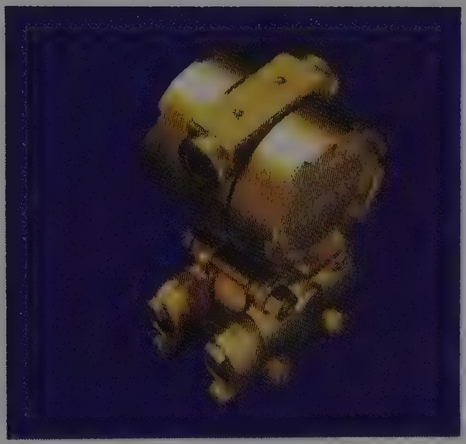

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BusinessWorld

VOLUME 6, ISSUE 10, AUGUST 4-17, 1986. RS.5

BusinessWorld

the magazine for Indian business

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Inland Subscription Rates
One Year 26 Issues Rs 110
Two Years 52 Issues Rs 220
Three Years 78 Issues Rs 330

BusinessWorld does not accept responsibility
for returning unsolicited manuscripts and
photographs. All unsolicited material should
be accompanied by self-addressed
envelopes and sufficient postage.

***Published for Ananda Bazar Patrika Ltd.
from 145 Atlanta, 209 Ceremonial Boulevard
Nariman point, Bombay 400 021 by Ranen
Chakrabarty and printed at Printwell, Laxmi
Mills Estate, Off Dr. E. Moses Road,
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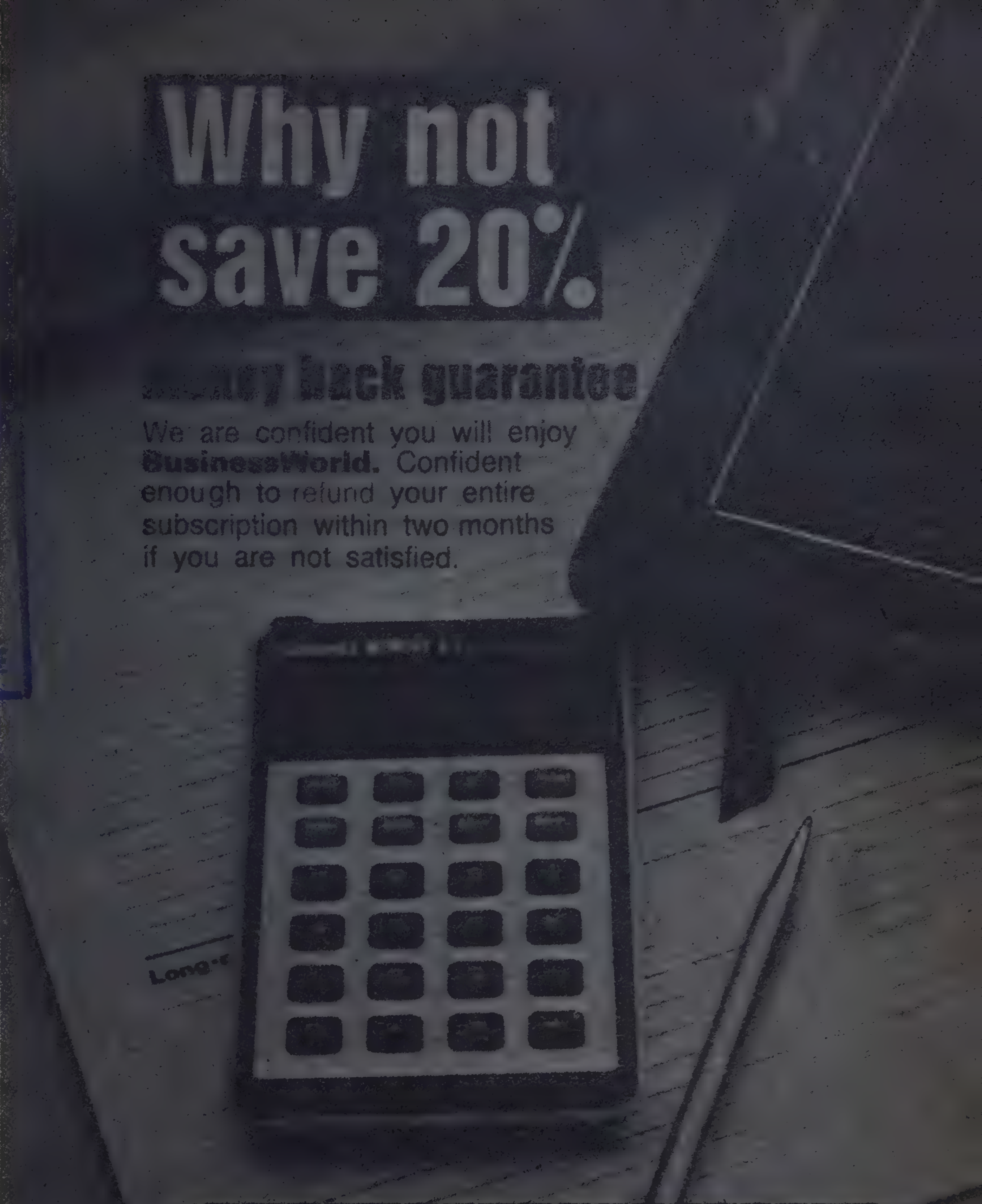

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5. International News ☐
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8. Company News & Events ☐
9. International Briefs ☐
10. Entrepreneurs ☐
11. Leisure ☐

7. Which of these specialist pages in BusinessWorld do you read and find interesting (Please look at the shoulder heads inside the magazine pages if you are not sure)?

a) Political Comment ☐
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8. In order to suit my requirements better, BusinessWorld should have

fewer main feature stories. ☐
the same number of main feature stories. ☐
at least one more main feature story. ☐

9. The lead features (cover & spotlight) should be

shorter ☐ same length ☐ longer ☐

10. BusinessWorld's coverage of the following items. (Please tick one column for each entry):

Items	Is adequate	needs to be expanded	needs to be reduced
Technology	☐	☐	☐
Marketing	☐	☐	☐
Management	☐	☐	☐
Corporate finance	☐	☐	☐
Investment/stockmarkets	☐	☐	☐
Computers	☐	☐	☐
Book reviews	☐	☐	☐
Economic policy	☐	☐	☐
Policy analysis	☐	☐	☐
Corporate performance analysis	☐	☐	☐
Corporate case studies	☐	☐	☐
Behaviour	☐	☐	☐

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A. Newsstands ☐ B. Subscriber. ☐

11B. If A, do you find it difficult to get a copy of BusinessWorld on the newsstands?

Yes ☐ No ☐

12. How soon after the magazine is published each fortnight do you receive your copy of BusinessWorld?

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13. Do you have any other suggestions to improve BusinessWorld?

BusinessWorld
August 4—17, 1986

A quick decision needed to be made and I am glad I took it. Early last month the Madras-based Standard Motor Products of India Ltd. (SMP) invited about a dozen journalists from Bombay, Bangalore and Madras to acquire a first hand experience of the company's recently introduced up-market executive saloon car — the Standard 2000. As part of an imaginatively planned familiarisation programme, this posse of journalists was driven from Bangalore to Mysore and back in a convoy of five Standard 2000 motorcars.

The ride was a revelation of the car's positive attributes and the meticulousness with which India's largest and most expensive automobile has been crafted. In terms of seating comfort, smoothness of ride, acceleration and handling, the Standard 2000 is an automobile of international class.

It was after the 360 km Bangalore-Mysore-Bangalore ride that I had to make the quick decision aforesaid. With SMP's chief executive C.V. Karthik Narayanan scheduled to go abroad a few days later, I abandoned my previous plan to return to Bombay and flew to Madras the next day to spend an entire working day at the company's light commercial vehicles and motorcar manufacturing works at Perungalathur, 33 km from Madras. This fortnight's cover feature is the fruit of this somewhat exhausting itinerary.

Certainly the trip to Perungalathur was an education. The conventional theory is that the economies of scale are a *sine qua non* of survival in the automobile manufacturing industry. But in the shelter of the imposing tariff walls built by the Union government, SMP — perhaps the world's smallest integrated automobile company (production in the year ended 30th June 1985: 5,808 light commercial vehicles) — has not only survived but modestly prospered.

However with light commercial vehicle (LCV) manufacturers experiencing a demand recession, SMP was in a bit of a jam in its recently concluded year until the Standard 2000 began rolling off the company's assembly lines last November. Even so, the volume of production of India's most expensive (Rs. 2.15 lakhs on-the-road in Madras) car was not sufficient to prevent SMP from suffering a drop in sales and net profit in its year ended 30th June 1986. But with over 3,000 Standard 2000 motorcars scheduled to be manufactured in the current year, the future prospects of the Madras-based company have dramatically changed for the better.

In this fortnight's Cover Feature, we take a close look at the company which has surprised the nation by manufacturing India's most up-market car ever with a remarkable 68% rate of component indigenisation right from the start.

And to write our second lead feature on CMC which is making waves in the computer and related industries, our Delhi-based correspondent Anand P. Raman travelled to Hyderabad and Bombay, successfully combating a bout of influenza to meet an exacting deadline.

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BusinessWorld
August 4—17, 1986

Overdue initiative on toning up public sector performance

Two recent statements made by prime minister Rajiv Gandhi are strong evidence that the government led by him is serious in its commitment to the pursuit of results rather than rhetoric. Twice in the space of less than three weeks the nation's chief executive has made it clear that neither administrative expediency nor political populism will sway public policy relating to the industrial sector. First, he has categorically ruled out nationalisation of the jute industry; the government was not interested in "carrying dead bodies," he said. And a few days later on 21st July this forthright statement was followed up by a memorable remark made on the floor of Parliament: "Every public sector enterprise has the money of the people of India invested in it. Every time a public sector enterprise is inefficient or wastes money, the money of the people of India is wasted. We don't want that to happen; therefore we have to keep the interests of the people of India foremost, even in front of that of labour."

While these remarks merely state the obvious, their significance cannot be belied. Successive administrations in New Delhi have found it convenient to pay obeisance to fuzzy and half-baked theories of socialism or state capitalism mainly because politicians gained more economic power in the process. Today, while the mission of capturing the commanding heights of the economy has no doubt been achieved, this dubious achievement has also saddled the administration with a legacy in which priorities have become warped and overall objectives of state entrepreneurship are, to say the least, distorted. Overriding concern for protecting and furthering the public interest has yielded ground over the years to the protection of vested, sectional interests. But for the first time in decades, there are now straws in the wind — the prime minister's comments cited above are an appropriate example — which indicate that the Union government acknowledges the distortion and is keen not to repeat earlier mistakes.

And while self-professed champions of the working class have predictably taken umbrage at the prime minister's considered remarks, India's consistently shortchanged citizenry — the labour constituency included — could well find occasion to derive strong satisfaction that the government is at last anxious not to condemn citizens' sacrifices to the exchequer for unproductive end-uses. As far as nationalisation is concerned, 30 years of varied experience in diverse fields such as life insurance, banking, general insurance and coal has shown that almost every state-monopoly service or production centre has failed miserably to match performance with promise.

Notwithstanding the creation of hydra-headed bureaucracies (in fulfilment of Parkinson's Law) which have more often that not proved weak-kneed in tackling politicised labour unions, the nationalised sector has signally failed to deliver the goods in several key areas: productivity, work culture, modernisation including computerisation, return on investment and so on.

Poorly serviced customers

A prime example is the Life Insurance Corporation of India (LIC), where employees have bitterly — and successfully — resisted the introduction of elementary mechanisation to keep data for tens of millions of the policies of its captive customers updated and in order. And if the LIC management has failed to protect the legitimate interests of its many million poorly serviced customers — who more often than not have to run from pillar to post to retrieve their own savings from the corporation — it has done so by allowing itself to be held abjectly captive by vested interests seemingly dominating its gargantuan labour contingent (56,000 employees). And the LIC is but one example; there are many others.

Facts and figures provide conclusive and ample evidence to substantiate the conclusion that the nationalised and public sectors both at Central and state levels have repeatedly failed the nation whether performance is measured by the yardstick of installed capacity utilisation or profit or surplus generation. As on 31st March 1985 (the latest date for which compilations are available), the mind-boggling sum of Rs. 42,811 crores of "money of the people of India" — to use Rajiv Gandhi's words — had been employed as capital in 221 centrally owned undertakings. In return for this investment the citizens were rewarded with a pre-tax profit of a miserable Rs. 2,119 crores — a return of 4.9% — of which Rs. 1,627.4 crores was contributed by the Oil and Natural Gas Commission alone. Alternatively, barely 50% of the installed capacity of the largely nationalised power generation sector in which an estimated Rs. 45,000 crores (Central and state government outlays) has been invested, is utilised.

This management track record is a truly shameful one and could well be held to constitute a fraud on the collective corpus of shareholders, *viz.* the citizens of India. The state government owned units have even worse track records. To cite but one example: out of the 49 state-owned undertakings in Bihar which directly or indirectly took Rs. 1,690 crores out of the pockets of what is perhaps one of the poorest populaces in the world, 41 are in the red. Till 31st March 1984, these undertakings' accumulated losses totalled Rs. 292.3 crores.

Ruinous drain

It can hardly be gainsaid that no self-respecting government worth its salt can allow this sort of ruinous drain on the exchequer to continue — so palpably evident and visible is the betrayal of the public interest by its ostensible protectors. The welcome moves initiated by the Rajiv Gandhi administration to lift the public sector enterprises up by their bootstraps and knock them into shape are, from this point of view, overdue. Among these measures can be counted the finance minister's embargo on budgetary support to public sector enterprises incurring cash losses during the next financial year; the directive that all loss-making public sector undertakings must be brought to the 'no cash loss' stage within the current financial year; the five year tenures being given to chief executives; the reduction of ministries' nominee directors to only one on each board; the clear directive that reliance must not be placed on price rises and so on.

True, the laudable overall aim of the public sector was — and hopefully still is — to redistribute incomes on a large scale. But this objective remains a mirage because of the absence of any internal resources generation worth the name. Instead, complacency generated by excessive protection by way of legislating monopolies, cost plus pricing and price preferences has impeded the upgradation of technology, quality and cost control measures. And now that public sector undertakings are borrowing the people's money directly in the form of bonds, the quest for adequate returns must clearly be taken up in right earnest. For should the dormant wrath of the stakeholders — the citizenry of India — be aroused, its fallout could have unforeseen consequences for the Indian economy.

BusinessWorld
August 4—17, 1986

Patwardhan clarifies

SIR—I should like to congratulate you on a perceptive and balanced account of NOCIL's exciting mega-project of modernisation and expansion of its petrochemicals complex at Thane.

There is one point, however, which requires qualification. There is a suggestion (p.45) that I personally favoured the nationalisation of the foreign oil companies in India. This is not factually correct and from numerous platforms over the last decade I have argued that this was not in the national interest. My reasoning is spelt out in greater detail in a book which is under print and is to be published shortly.

It is evident from government's recently reported decisions relating to the Karnal and Mangalore refinery proposals (the former is referred to in your feature on NOCIL) that the Union government itself no longer opposes the return of the foreign oil companies in the refining (and oil exploration) fields in India under appropriate conditions.

M.S. Patwardhan
Managing Director
NOCIL
Bombay.

Neglected children

SIR—The Leisure & Travel article 'The domestic role of the executive father' (*BW* June 23-July 6) has thrown much light on the hitherto ignored—albeit an important and haunting—problem of child rearing by busy executive parents. It is well known that the busy executive father, who hops from one metropolis to another on important errands and even travels to other countries, finds little or no time to personally care for his children. In most cases, the mother too is busy with her clubs and associations, so much so that the children grow under the care of the servants of the house. They are thus denied parental love and affection.

It is, therefore, incumbent on the parents to spare some time for their children. The latter should be taken out with them, be spoken to kindly, freely and with maturity. Of course, during this period they may have to make alternative arrangements for the children's education as they may be missing classes. Parents should also time their out-of-town trips in such a way that they coincide with their children's holidays. Further, at least for two or three days in a week, they should make time exclusively for their children.

As the writer of the article succinctly put it, the nuclear family has to be kept intact. With a view to saving an executive's family from terrible disaster, a readjustment of official and personal life-patterns is an absolute necessity.

Dr. T.S. Shankaran
Bangalore

False claims

SIR—I refer to the In the News article 'Continental goes public' (*BW* May 12-25). I was surprised to read that Arvind Jain, managing director of Continental Pumps & Motors Ltd., claims to be the pioneer manufacturer of turbine pumps in India.

Jain has stated that his company started operations in 1976, which is approximately 25 years after the first indigenous vertical turbine pumps were manufactured in this country by the Baroda-based Jyoti Ltd., in 1951. I am now 70 years old and was the marketing manager of Jyoti for almost 30 years. These turbine pumps were first designed and manufactured by one late M.W. Lalchandani, the then chief engineer of Jyoti under the guidance of Nanubhai Amin, chairman and managing director of Jyoti. They were introduced into the market in 1951 and were erected and sold by me and my staff in UP, Bihar, Punjab, Gujarat and several other states in the early fifties. A large number of turbine pumps were marketed by Jyoti prior to 1976, averaging at least 1,000 pumps per year.

Jyoti was also the first Indian company to export Indian turbine pumps in 1957 and several thousand pumps were supplied by them to countries such as Iran, Saudi Arabia, Tunisia, East Pakistan, etc.

Perhaps, Mr. Jain was not born when all the above indigenous efforts were being made; hence he may not be aware of this situation—thus his claim of being a pioneer. His statement regarding his company's plans to manufacture submersible pumps for the first time in India is equally erroneous, since over 20 reputed companies in this country already manufacture this item.

C.N. Pradhan
Pune

Auction abuses

SIR—I invariably read with interest the Careers and Professionals pages which are quite informative.

With reference to your feature on auctioneers (*BW* June 23-July 6), my opinion is that while there are sincere professionals like Bharoacha in this business, there are more cheats in auctioneering than genuine professionals. I have witnessed some auctions where the auctioneer's own 'team of experts' participate incognito in auctions and send bids spiralling upwards. The genuine bidder is more often than not cheated. There should be a code of conduct for auctioneers which prohibits them from engaging touts in order to obtain exhorbitant prices and exploit the public.

A.V. Ramana Rao
Secunderabad

Unfair allegations

SIR—I was quite surprised to read the letter (*BW* June 23-July 6) regarding NELCO's service.

I was even more surprised when I read the abuses aimed at NELCO's Madras-based branch manager P. Radhakrishnan, who goes out of his way to render excellent service. It is unfair on your part to publish such a damaging letter without making prior enquiries.

Please publish a letter of regret in your next issue and try to maintain the decorum of the press.

(Signature indecipherable)
Proprietor
AGR Xerox Centre
Madras

Unblissful experience

SIR—I had applied for 200 shares in Bliss Chemicals & Pharmaceuticals India Ltd. *vide* application No. 7812 in July 1985. The application was duly acknowledged by Bank of Credit & Commerce International, Bahrain, to whom it was sent and the accompanying bank draft No. 180837 was presented, and paid, on 24th July 1985. Not having received any official intimation from the company, I wrote to the company on 29th January, 1986 (with a copy to the registrars of the issue) requesting the company to advise me in the matter.

Unfortunately, neither the company, nor the registrars (Consolidated Share Services Pvt. Ltd., Cama Building, Dalal Street, Bombay) have bothered to write to me or to take any action in the matter.

The situation is very frustrating and it seems impossible to get any answer from such companies which show scant regard for investors' grievances. I feel that there should be a law under which such errant companies are suitably penalised.

Bela Jain
Dammam, Saudi Arabia

Conscientious person

SIR—I was surprised to read the letter of S.R. Ramasamy (*BW* June 23-July 6) regarding NELCO's service. We would like to inform you that we are extremely satisfied with NELCO's service and we have taken nearly 150,000 copies from our machine supplied by NELCO (on 10th January 1986) without any problem over a six month period.

In particular, I don't agree with the statement that P. Radhakrishnan, branch manager, OPD, NELCO, Madras is not a reliable individual. We have had a very good relationship with him. He is a conscientious person who often goes out of his way to render good service. He is the only manager in the photocopier field who understands our (job workers') problems and renders prompt service because he realises that we depend on the machine for our livelihood.

We sincerely hope that you will apologise for publishing such a false report without first confirming it.

(Signature indecipherable)
Proprietor
Om Vinayaga Copying Centre
Madras

BMA's nepotism

SIR—This is with regard to the 12th National Competition for Young Managers, organised by the Bangalore Management Association in February this year. The competition as you may know had two components: a written report that had to be submitted to the Bangalore Management Association and an oral presentation at Bangalore. The topic was Managerial Accountability—Authority and Effectiveness.'

At Bangalore, the competition started off on a good note, with 16 teams participating from various parts of South India. Elaborate criteria of evaluation were outlined by the judges. Little did I realise that the outcome of the competition would be based on criteria other than those outlined. Any fair-minded observer could have identified the four teams that excelled in the competition.

Lo and behold: The two teams selected to represent South India in the finals in late March were none of these. In fact, any impartial observer would not have even put them in the first two quartiles in terms of performance. One of the teams that was selected for the finals was an independent team of women and I was surprised that one of the judges applauded them when they came to the podium to make their presentation. I feel that the fact that the two teams were from Bangalore, as well as the factor outlined above, had substantial influence on the final outcome.

What baffles me is how a professedly professional body like the Bangalore Management Association could resort to this form of nepotism, when the topic being discussed was 'Managerial Accountability—Authority and Effectiveness.' Many of the teams who were present there were also shocked by the outcome. The selection by the panel of judges, if anything, ensured that there would be no winner in the finals from the south zone.

I feel that talk of professionalism in management especially by eminent bodies such as the All India Management Association ring hollow, and the very values for which the association stands have fallen flat. I am sure that you will in the course of the coming days hear a similar note from many of the teams that participated in Bangalore.

An affected team
Bangalore

Cleaning up the LPG trade

SIR—There appears to be a determined move by the petroleum ministry to stop home delivery of LPG. This should be resisted because it is a material alteration of the original agreement between LPG users and oil companies, whereby home delivery was assured, and its cost was included in the price of the cylinder. More important, it is a violation of the safety factor.

The government's strategy of using petroleum products as a source of indirect taxation is the root cause of this mischief. It is not known why the government is reportedly importing crude oil at $30 per barrel, when the spot market price has fallen to $10. The basis of government costs should be made public if the consumers are to be convinced of its claim that there is a subsidy element in the LPG price.

The ministry is obviously reluctant to increase the dealer's commission which has remained static at Rs. 3.62 from 1960 when the price of a cylinder was Rs. 16.25 as against Rs. 56.15 in 1986. This uneconomical commission is the main cause of malpractices by dealers and delivery boys, of which the victims are the consumers.

The dealer commission should be increased to 20% of the price and same day home delivery, with an early morning shift for the benefit of working couples should be enforced. In addition, Re. 1 per cylinder should be set aside to train delivery boys and to give them medical aid and early retirement benefits since their working life after handling several 30 kg cylinders every day is short.

Another Re. 1 should be set aside for intensive consumer education on the safe use of LPG. Training of delivery boys and consumer education had been recommended by the Vasudevan Committee set up by government after the IOC bottling plant explosion in Delhi in 1983, but very little has been done to implement these suggestions.

Dealer commission and this amount of Rs. 2 should come from government's share of the present price, and not by increasing the consumer price.

In the meantime, in order to ensure home delivery, LPG users would do well to serve a notice on their supplier oil company with copies to the dealer and petroleum ministry. A draft may be obtained by sending immediately a self-addressed stamped envelope to M.R. Pai, Piramal Mansion, 3rd Floor, 235 Dr. Dadabhai Naoroji Road, Bombay 400001.

M.R. Pai
Bombay

Incomplete form

SIR—The application form for a demand draft now being used by the Falna branch of the State Bank of Bikaner & Jaipur has shocked its customers as it does not have a counterfoil. The result is that soon after handing over the cash along with the application for a draft to the cashier, the customer does not have any evidence to show that he has applied for a draft. Normally, such a form has a counterfoil which is returned to the customer after he pays the cash at the counter.

The use of such incomplete forms is certainly uncalled for in the State Bank, which has been a pioneer in many fields of banking, including computerisation. The authorities at the State Bank should immediately stop the use of such forms at all its branches.

Surendra Kanstiya
Falna (Rajasthan)

Greedy banks

SIR—Banks have been levying service charges for issuing pay orders to meet their statutory obligations like a CDS refund. This is an illegal levy, and members of the banking public should demand a refund.

The public is also cautioned to check all 'i.c.' (incidental charges) and 's.c.' (service charges) entries in their passbook and to question every item of the so-called 'service charges' which appears to be unreasonable.

It is unfortunate that with their increasing inefficiency, the greed of banks has been growing and they are taking the maximum advantage of the trust reposed in them by a clientele which has yet to realise the change in the ethical standards of the banks.

K.M. Sundaram
Secretary
All India Bank Depositors' Association
Bombay

Poor bank profits

SIR—B.R. Malhotra, the governor of the Reserve Bank of India, at his Delhi meet advised bankers to increase their profitability. Already, customers are reeling under heavy banking charges which have increased by more than 300% in a year and a number of fictitious charges such as inspection, visits, bank guarantees, etc., are being debited at will to customers' accounts.

The major reasons for the drop in profitability are first, the rural banking sector of the banks where the pay and perks for the staff are the same: second, the whims and fancies of populist finance ministers such as Janardhan Poojary who threatens bankers that he will summarily dismiss them if they fail to meet the demands of weaker sections, i.e. loans of up to Rs. 25,000 without security or surety, at an interest rate of 4%; third, the undercover loans of big wigs such as Rajendra Sethia or Vijay Mallya which run into hundreds of crores.

If cooperatives can earn hundreds of crores by providing prompt and cheap services and pay higher rates of interest to depositors, obviously the main reasons for the low profitability of the banks are overstaffing, sometimes by more than 25%, high island salaries and perks with medical/educational, travel entertainment, building decoration, staff quarters, easy loans for housing, etc. to its employees.

Perhaps the introduction of computers, more caution in financing loans and restraints on staff salaries and perks will help the banks to provide better service and maintain profitability at the same time.

Tatya Tendulkar
Kolhapur (Maharashtra)

Unjust additional levy

SIR—The budget proposal raising excise duty on colour television sets from Rs. 900 to Rs. 1,500 is a severe setback to the infant colour television manufacturing industry. With the incidence of sales tax, the octroi, etc., and the financing charge of higher excise, the prices will immediately increase by Rs. 700-750 for the customer.

The additional excise duty has been imposed to tax the rich. The actual position, however, is that rich people have already purchased colour television sets. And currently, buyers come mostly from the middle class.

The budget allocation for the I&B ministry has been enhanced. No doubt, a large part of this is earmarked for increasing colour television transmission coverage. But all this expenditure shall go waste unless colour television receivers are within the reach of the middle class.

The costs of manufacturing colour television sets have increased steeply over the last six months on account of the increased cost of imported inputs due to the gradual decline in the value of the Indian rupee against foreign currencies such as the Japanese yen and the West Germany deutsche mark. And the industry has no capacity to absorb any additional excise duty.

The latest increase in excise duty has been imposed at a time when the colour television manufacturing industry along with the rest of the radio and tape recorder manufacturing industry is passing through a severe demand recession period—the worst since 1974-75.

I would appeal to the honourable finance minister to reconsider his proposal and keep the excise duty on colour television sets unchanged.

S.N. Chaudhuri
Central president
All India Radio & Electronics Association, Calcutta

Curious dilution

SIR—In the annual report of KSB Pumps Ltd. for the year 1985, it is stated that Canadian Kay Pump Ltd., the major share holder of the company, diluted its shareholding from 51% to 39.97% of the share capital, by disinvesting 2,40,000 equity shares.

At the annual general meeting of the company held on 7th May 1986, some shareholders of the company sought information from A.V. Setalvad, the chairman, about (i) the party to whom 2,40,000 equity shares were transferred and (ii) the price at which the shares were transferred. After some hesitation, the chairman said that equity shares equivalent to about 8% of the share capital were transferred to Industrial & Prudential Investment Co. Ltd. and the equity shares equivalent to the balance 3% thereof were transferred to financial institutions. With a little more reluctance, he also informed the members that the equity shares were transferred at the price of Rs. 29, which was approved by the government.

The issue raises the following questions:

(i) While approving the transfer of shares under s. 19(5) of the Foreign Exchange Regulation Act, 1973, should the Reserve Bank of India not insist on wider ownership of shares, by directing the transfer of such shares to the existing members in proportion to their respective holdings?

(ii) When the market quotation of the share has been hovering around Rs.250, how was the transfer approved at Rs. 29 per share?

(iii) How was the finance ministry and Reserve Bank of India persuaded to agree to the transfer by the management to Industrial & Prudential Investment Co. Ltd., in which Setalvad is apparently interested?

(iv) The shares of the company are listed on the Bombay stock exchange, which must have relaxed the requirement of Rule 19(2)(b) of Securities Contracts (Regulation) Rules, 1957 which states that at least 60% of the shares issued by the company should be offered to the public. How come the stock exchange authorities did not insist on the wider ownership of the shares by withdrawing the relaxation which was granted earlier, when a major non-resident member divested a part of its holding?

(v) Why has the company's management failed to appreciate the import of the Reliance phenomenon which has clearly shown that the capital market wholeheartedly supports companies which believe in rewarding its members?

Kusum Padmanabh Merchant
Bombay

JULY 12

Speaking at a press conference at Madras, Union finance minister V.P. Singh said that India would not devalue the rupee nor solicit additional concessions from the International Monetary Fund to tide over the country's balance of payment difficulties (*BS*).

The public sector Minerals and Metals Trading Corporation has entered into an agreement with North Korea to export one lakh tonnes of wheat to that country during 1986 (*FE*).

JULY 13

According to a report from New Delhi, India exported readymade garments valued at Rs. 1,096.72 crores during 1985-86 (*FE*).

India has finalised a memorandum of understanding with the Soviet Union for the purchase of the futuristic Mig-29 fighter aircraft from that country (*BS*).

JULY 14

The visiting president of Bangladesh Lt. Gen. H.M. Ershad and President Zail Singh agreed to resolve the bilateral problems of the two countries in a friendly and cooperative spirit (*ET*).

JULY 15

The Reserve Bank of India constituted a committee under the chairmanship of RBI's deputy governor, Dr. C. Rangarajan to enquire into the Reliance loan affair.

According to a report from New Delhi, some Chinese army personnel penetrated six to seven kilometres into Indian territory in the Kameng division of Arunachal Pradesh.

JULY 16

The Union government announced that public sector enterprises would be allowed to issue bonds which will be exempt from wealth tax. The interest earned on these bonds will also be exempt from income tax. The bonds will carry a maximum interest of 10% and will be redeemable at par after 10 years (*BS*).

JULY 17

Two Nicco group companies, Nicco Investments Ltd. and Nicco Financial Services have together purchased 18% of the share capital of Peerless General Finance & Investment Co., the country's largest non-banking financial company.

JULY 18

Union finance minister V.P. Singh said in the Lok Sabha that the preliminary inquiries into the Reliance loan affair had shown that nine banks had granted loans aggregating Rs. 59.28 crores to 63 companies connected with Reliance Industries Ltd. (RIL) against the security of RIL's shares or debentures.

JULY 19

A world organisation of non-resident Indians has been formed with headquarters at New York to channelise NRI's investments into India (*ET*).

JULY 20

India, one of the founder members of the Commonwealth, announced its decision not to participate in the 13th Commonwealth games, which commenced on 24th July at Edinburgh (Scotland), in protest against Britain's strong opposition to economic sanctions against South Africa.

JULY 21

The cabinet sub-committee on long term administered prices decided to fix the prices of all products of public sector companies on the basis of normative costs. This is the first time that the government had decided on a long term cost and price structure for public sector units (*ET*).

JULY 22

Union finance minister V.P. Singh assured members of the Rajya Sabha that the loans given to Reliance Industries would be recalled if the recently constituted enquiry committee establishes misuse of funds. According to the minister, the matter would then be referred to the Central Bureau of Investigation.

JULY 23

Four top executives of Reliance Industries Ltd. (RIL) have filed a caveat in the sessions court in Bombay praying that no *ex parte* order should be passed on RIL without serving them with at least 48 hours' notice. Meanwhile, the share prices of Reliance crashed by Rs. 53 to Rs. 312 on the Bombay stock exchange.

The seventh round of Sino-Indian border talks has ended at Beijing without much progress being made on the boundary dispute question.

JULY 24

The Union government has reduced the selling prices of imported newsprint by Rs. 250 per tonne. Consequently, standard newsprint will now cost Rs. 6,395 per tonne and glazed newsprint Rs. 8,370 per tonne.

JULY 25

Terrorists in Punjab gunned down 15 bus passengers and injured seven others seriously.

BS=Business Standard, ET=The Economic Times, FE=Financial Express

NEXT FORTNIGHT

August 8 & 9
Executive secretary tune-up
Venue: Fariyas Hotel, Bombay
Organisers: Continuing Education & Training Centre, Bombay
(Tel: 2045333)

August 8
Corporate Computers & Information technology
Venue: Hotel Connemara, Madras
Organisers: Madras Management Association (Tel: 478311)

August 9
Computer applications in materials management
Venue: Hotel Oberoi Towers, Bombay
Organisers: Bombay Management Association (Tel: 2047650)

August 11-23
Management of human resources-19
Venue: Bella Vista, Hyderabad-49
Organisers: Administrative Staff College of India, Hyderabad
(Tel: 36956)

August 18-29
Port marketing and pricing
Venue: IIPM, Calcutta
Organisers: Indian Institute of Port Management, Calcutta (Tel: 459720)

August 18-30
Advanced management systems for electricity undertakings-1
Venue: Bella Vista, Hyderabad-49
Organisers: Administrative Staff College of India, Hyderabad
(Tel: 36956)

August 19
Managing organisational change
Venue: Hotel Oberoi Grand, Calcutta
Organisers: The Indo-American Society, Bombay (Tel: 2044882)

Appointments

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Appointments

GR

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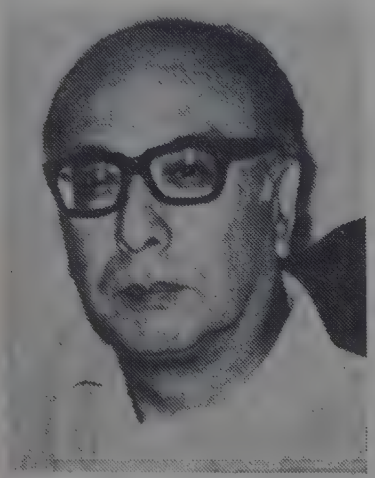
BusinessWorld
August 4—17, 1986

Challenge of dissidence

N.J. NANPORIA



No one can pretend that the Congress dissidents have covered themselves with glory or even a thin veneer of political respectability. Their loud protestations on behalf of organisational elections, leadership accountability, constitutional precision, procedural rectitude and inner party democracy have been received with a scepticism that is not entirely undeserved.

Not that in any particular instance the ostensible reason for dissatisfaction is unreal or irrelevant; but that the zeal for party reform seems all the greater when the dissident has been denied a share in the spoils of office. It is reasonable to suppose that if Tripathi had been nominated to the Rajya Sabha his advocacy of party democracy would have been less intense and exploitive than it has turned out to be. Similarly Pranab Mukherjee's growing disillusionment with the party can be correlated to his own diminishing political prospects in the Congress (I).

All of which has tended to devalue the many charges that have been brought against the party leadership, to enable this leadership to dismiss them with near contempt and to obscure the point that a complaint often has its in-built validity irrespective of the nature of the support it receives. Mukherjee's rhetoric on Congress "leftism" and his facile assumption that the nation's economic and foreign policies were prescribed for all time by Indira Gandhi can be easily mocked. The equivocal methods the dissidents have used to air their grievances can be as easily condemned; and, as Anjiah and Mukherjee have done, both can accuse each other of being a "capitalist agent" without the slightest addition to their credibility. Yet what remains is the reality of a dissidence that is rapidly gaining a momentum of its own and can no longer be ignored as a "ragtag army."

ARTIFICIAL DIVISIONS

The leadership's unimaginative and conventional response of expulsions and suspensions and of reprisals by way of denying or withholding nominations and appointments has obviously reached its limits. In the process the concept of "anti-party activity" has been reduced to a level of ambiguity from which it will be difficult to retrieve; and this has been compounded by the selective manner in which "disciplinary" measures have been taken according to the political clout, if any, which the offending member is able to deploy. Nor is there any merit in the strange proposal to mobilise the younger MPS and MLAS to provide a "power base" for counter pressures against the "old guard." These artificial and quite meaningless divisions between "old" and "young", "rightists" and "leftists", "loyalists" and "turncoats" have increased the sum total of dissension in the party without helping to clarify the issues that matter.

These include organisational elections, bogus membership, accountability, *ad hoc* authoritarianism, uninhibit debate and constitutional propriety. On none of the issues is the party's position what it should be; and beyo them is the generalised and undefined dissatisfaction wi the "personalised style" of a leadership which seeming assumes that it alone knows best. When, for example, T pathi spoke of the situation in Punjab, Arjun Singh's instin tive reaction was the advice "not to comment on it" becau "it is entirely in the domain of the prime minister," an o recommendation which deprives the party of the right to c bate most of the public issues of the day.

As controversial was Romesh Bhandari's appointment a senior party post with no apparent concern for the reser ment this might arouse in the party rank and file. Arj Singh was probably anxious that the Punjab boat should n be rocked more than it was already dangerously rockin and Bhandari's appointment is no doubt justifiable grounds of the search for talent. But they are also open the less tolerant interpretation the dissidents have give them.

Such ambiguity can also be traced in the prime ministe comment that "it is important to ensure that only the rig persons are allowed to come forward." Since no one kno precisely what "right" means it is immediately supposed th there is a bias in favour of those personally loyal to Raj Gandhi and his circle. Then there is the curious use of th word "allowed." How, in a democratically organised part can there ever be an assurance that only a certain kind people identifiable as "right" by a presiding authority w emerge in the party's top posts? The entire point about ele tions is that, short of fraudulence, their outcome cannot ensured.

HEAVY COST

Manipulative arrangements that satisfy an arbitrary sens of what is "right" and keep out those deemed to be "wrong are arguably more damaging to the party's credibility tha having the "wrong" people on top. The cost to the party elections in faction-ridden conditions is bound to be heav but is likely to be heavier still with every postponement the elections. Elections are an assurance of the dominance at least in the short term, of the lowest common denomina tor. Casting himself temporarily in the role of the dissente Rajiv Gandhi had much to say on Congress ills during th centenary celebrations in Bombay. He spoke of corruptio nepotism, inefficiency, factionalism and indiscipline bu seemed to invoke them as justifying the touch of authorita ianism in his own management of party affairs.

Yet the truth of the matter is that the nation's problem are of a kind with which no individual with or without chosen coterie can possibly cope. Indira Gandhi attempte to evade the demands of the Congress culture by supposin herself to have a special rapport with the "masses." Insofa as she was a very effective vote catcher, this was a not im plausible way of controlling the party. Rajiv Gandhi is les equipped to do this than his mother and is basically, as sh finally was, dependent on an organisation which is as nea indispensable as any organisation can ever be. If then th dissidents are to be preempted, the leadership must be mor willing than it has so far been to respond patiently and intel ligently to the more telling of the criticisms that have bee directed against it.

The revitalisation of a party cannot be achieved withou descending to the turbulence of marketplace politicking o by adopting superior airs towards the power brokers wh can be defeated only at their own lowly level.

BANKING AND FINANCE

A.K. GANGULY

Priority sector priorities

After blazing a new trail in social banking which resulted in a flurry of activity in lending to the so-called priority sectors, the government and the Reserve Bank seem to have lost interest in the priority sectors. The original targets — of 40% of priority sector advances and 1% under the differential rate of interest (DRI) out of total bank advances to be achieved by March 1985 — were set with a lot of fanfare. But after fudging the figures, the nationalised banks now suffer from eroded credibility due to the sudden somersault in policy prescriptions.

Political ploy. The whole exercise was a preconceived political ploy which the RBI and commercial banks, not to speak of the government, engineered for the purpose of beating their own drums about their achievements in the much-publicised priority sector programmes. Even Union finance minister V.P. Singh said in New Delhi on 14th May while addressing the chief executives of nationalised banks that the achievements of banks had been quite remarkable because the total advances to the priority sectors had exceeded the 40% limit, the actual figure being no less than 43%. Agriculture accounted for 15.1% against the target of 15%, and lending to the weaker sections actually amounted to 10.6% of the total credit, against the target of 10%.

The finance minister did not mention in this context the attainment by the nationalised banks of their small-scale sector and marginal farmers' targets of 12.5% and 11.5% respectively. But as the former governor of the Reserve Bank, Dr. I.G. Patel has pointed out quite candidly, there is not much significance in fixing the targets and sub-targets which were no better than useless arithmetical exercises. There is considerable scope for manipulating the figures. For example, the loans granted to fisheries or other such allied occupations are included by many a bank in order to exaggerate the figure for farm credit. The Reserve Bank simply does not have the machinery to detect the fudging of figures.

The Estimates Committee of Parliament has forthrightly pointed out that the RBI has been quite ineffective in compelling the banks to complete the backlog of their branch reconciliation accounts which have accumulated alarmingly, causing chaos and confusion in the banking sector. This apart, there is the glaring fact that much of the finance for priority sector lending did not go to the sectors for which it was intended but was wrongfully canalised to other beneficiaries due to corruption, inefficiency and mismanagement of bank officials.

Although the Union finance minister set aside a larger sum under the 20 point programme in his most recent Union budget, raising the allocation from Rs. 4,900 crores to Rs. 5,998 crores, the much-talked-about revision of the programme and the association poverty alleviation plans have not been spelled out. But the government and the RBI do not apparently appreciate that there is a crucial need to take a back-to-the-basics approach to prevent the commercial banks from falling terminally ill while the ambitious targets fixed for social banking are fulfilled.

Revision & rationalisation. If the government at the Centre and the RBI at all revise the priority sector programmes and draw up new targets, they should first rationalise the whole concept of social banking and priority sector lending *de novo*. In view of the incipient sickness of commercial banks, over 400 large-scale units and over 90,000 small-scale units, the whole sick sector should be brought under the priority sector lending scheme and provided recovery loans at concessional rates of interest, say, 6%-7%, before it is too late. The increase in lending to the ill-defined priority borrowers in the agriculture and small-scale industry sector, retail and transport trade and much else besides, can wait for the time being. As the whole industrial landscape is dotted with sick units which require to be revitalised or resurrected through concessional lending under a well-considered priority sector programme, the Union finance ministry and the RBI should put their heads together in framing a new plan for financing these units which if left unaided, could bring the entire economic structure crashing down.

The whole concept of priority sector lending is now in a shambles. It requires a new look and a redefinition in the light of down-to-the-ground realities within the economy.

PUBLIC SECTOR

The Pathak proposal

The proposal has been dangling in the air like Damocles' sword, over the beleaguered Rs. 40,000 crore public sector enterprises of the Central government for quite some time. Now the sword has fallen. Soon after Parliament reconvened for the monsoon session, Union minister for industry N.D. Tiwari confirmed in a statement, so correct that it hardly seemed rash, that the Union government had decided to accede in principle to a proposal put forth by an unknown group of US-based non-resident Indians (NRIS) to provide comprehensive management consultancy services to public sector enterprises. Despite the long-standing incapacity of the public sector to rouse itself from its lethargic mode of functioning, a factor that could well be the undoing of the Seventh Plan, not a few monitors of the economy have been quick to conclude that by accepting the proposal the government is clutching at straws.

While most of the heads of public sector companies are smarting at the manner in which this proposal, the brainchild of US-based NRI M.S. Pathak (of whom more later), has been pushed through against their wishes, the way has been paved for the incorporation of a joint venture company with a share capital of Rs. 1 crore of which public sector giants such as OIL, ONGC, EIL, BHEL, CIL, NTPC, RITES, IRCON and of course SAIL and a foreign company, Management and Technologies International (MTI) will be the promoters. Apart from Pathak no one as yet seems to know who the other employees of MTI are and what they have to offer.

But then, Pathak has always been very much of an unknown quantity, despite which apparent handicap, he has consistently outsmarted his critics at every stage. The son of a former vice president of India, he shot into the limelight in the mid-seventies as a member of the Planning Commission and later as chairman of Engineers India Ltd. which was going through a bad patch at that time. Critics insist that when Pathak found the going too tough, he flew off to the US in a huff and resigned his chairmanship from there on grounds of ill-health.

Grand design. In the land of opportunity, Pathak signed up with the ubiquitous and all powerful Bechtel Corporation, serving as an assistant to a vice president of the company. As this was a comedown, Pathak soon joined a small New Jersey-based company, Foster Wheeler, from where he planned the grand design of his re-entry into India. Sometime last year, soon after Rajiv Gandhi had taken over as prime minister and the wooing of NRIS began in right earnest, Pathak began to make the rounds in New Delhi once more.

In a top secret proposal, tailored to suit the management style of the new government, Pathak said: "As a country with the eighth largest industrial potential in the world, India has developed a broad base of management and technological knowhow. However, Indian expertise generally lags behind the world's state-of-the-art..." The crucial reason for this, according to Pathak, is that policy makers do not have the benefit of an independent, well-informed organisation for the continuous monitoring and evaluation of domestic *vis-a-vis* global knowhow.

Zeroing in on the public sector, Pathak referred to the crying need to improve managerial techniques relating to productivity, business strategy, marketing, etc., in the nation's capital intensive public sector undertakings; to update their technological expertise; to monitor the cost-effective upgrading of their facilities and to advise on the effective management of projects undertaken by them. Rather than developing such expertise indigenously ("this will prove to be very costly in time") or through foreign collaboration agreements ("shortcomings of this option relate to high prices; expertise offered that is not up-to-date; etc."), Pathak outlined the details of his recently accepted and inevitably controversial consultancy scheme.

In essence, this consisted of the setting up of a company in the US by Pathak which would tap the services of the cream of NRIS there on a full-time or part-time basis. As a mirror image, a joint venture company between this US company and the government of India, which would tap the services of a host of Indian specialists, would be promoted. The proposed joint venture in Pathak's scheme of things would offer the much needed consultancy inputs in the fields of management, plant operations and maintenance, and project management to public sector undertakings for a fee. While NRIS would be despatched for specific assignments, "services will be offered on an advisory or contractor basis. In the latter case, performance guarantees and liabilities will be expected. Expertise offered will be state-of-the-art modified to suit Indian conditions." Pathak's proposal was rich with promise.

Positive response. But the crucial bit was left unsaid — that to the extent necessary, back-up services would be obtained from specialist companies in the US, Europe and Japan. And Pathak had already committed himself to an agreement for this purpose with a single specialist company which he described as one of the three largest management companies in the world — B. Allen Hamilton. "BAH has responded positively to the proposal of working in India. It will also be keen to use the (proposed) Indian company's capabilities in the performance of its assignments in other developing countries. This proposal envisages a TC (third country) agreement between the Indian company and B. Allen Hamilton," said Pathak's proposal.

Kapur: surprising endorsement

Thus, the moot point that immediately surfaced was whether the firm to be set up by Pathak would merely act as a conduit for BAH to sell its services to a captive market. As an observer, an executive in a public sector undertaking puts it: "We have never tied ourselves down to a single company like this. If the mysterious NRIS merely play second fiddle, then what is actually happening is that this US company will have a field day."

Although it is not yet clear if thi
pect of Pathak's proposal has
cleared, the fact remains that the da
day management of the proposed
venture would rest with Pathak's n
promoted MTI which would own 51
the equity of the joint venture comp
In order to get things going, Pathak
ded two small preconditions: "That
endeavour should have the suppor
the government of India at the hig
level (*sic!*) and that it should be assu
of a five year workload at a minimum

Public sector managers exp
astonishment that this blanket prop
with a variety of unknown factors
found favour with usually conserva
bureaucrats. But it did, and an ex
group set up by the committee of
retaries under the chairmanship of D
Kapur, secretary in the ministry of ch
icals, enthusiastically endorsed the id
Even as eyebrows went up — and
mained there — a leading newspape
the capital came out with a story
Kapur, who is slated to retire from g
ernment service in September, is tip
to become the chief executive of the
dian division of the consultancy firm.
addition, the newspaper report also s
that Maruti Udyog and SAIL chairman
Krishnamurthy was also likely to join
firm, thus providing it with considera
prestige and talent.

By late March, the Union ministry
industry had issued an official note giv
the details of the scheme and asking
early action in the matter. While B
was designated the coordinating pub
sector company for the purpose, depa
mental undertakings and public
terprises encompassing the power, ste
petroleum and natural gas sectors a
the railway board were asked to furn
details of the services required by th
and to finalise the consultancy jobs to
given to the new company. The o
caveat was that "only those sanction
projects in which management c
sultancy has not been tied up along w
collaboration agreements should
proposed." The fears that existing c
laborations would have to be scrapped
avail of the 'benefits' of the newly pro
oted company have been allayed.

Rewarding contract. With regard to t
financial arrangements, it is reliab
learnt that contracts will be signed on
case-to-case basis, which includes ad
ance payment to be made annuall
keeping in mind the scope of the servic
offered by MTI. This is a big comedow
for Pathak who had originally suggest
an annual retainer for the NRI company
the tune of $3 million (Rs. 3.6 crores);
alternatively between 3% and 4% of t
tal project cost of the Indian client co

pany. It is however on the cards that irtually every major public sector conract will now be funnelled through MTI, vhich could prove extremely rewarding or the NRI company and its promoters.

Simultaneously, a death blow has een delivered to the flourishing breed f indigenous management consultants vho have over the years built up quite a eputation for themselves. As a critic outs it, "These consultants have never efore been asked to help out with the ublic sector as their orientation was onsidered different. And as far as oreign consultants for hi-tech projects are concerned, it has never been difficult for the public sector to find them."

Moreover, referring to Pathak's claim that his services would prove cheaper, this is possible only because the Indian consultants in MTI's Indian enterprise would have to be paid much less than foreign consultants. Nor are the NRIs or the firm (BAH) Pathak has tried to foist on the Indian public sector forthcoming with their expertise — an air of mystery surrounds them. It is also not clear what role the newly created ministry of programme implementation will play, or the expert panel set up by it to avoid time and cost overruns in major projects in future.

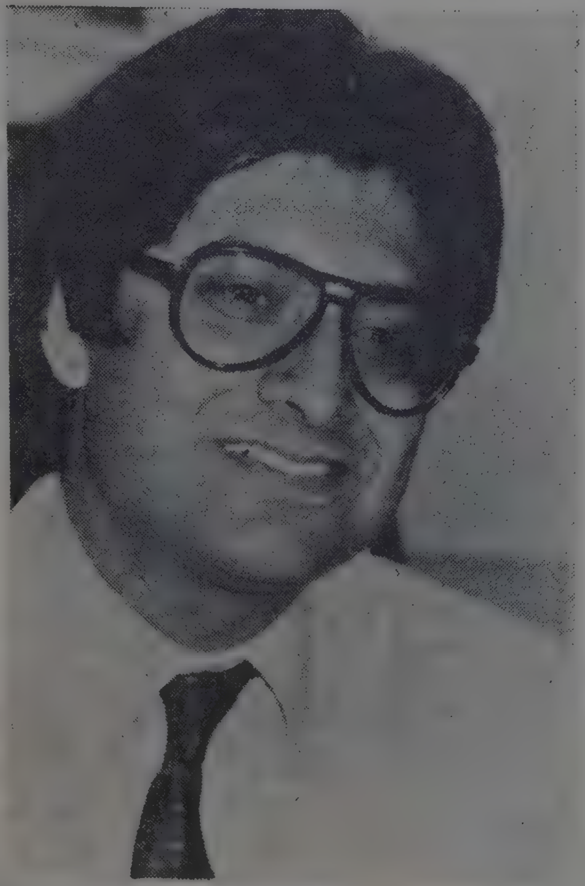
Disillusioned public sector managers insist that the problems of the public sector stem from issues such as lack of functional autonomy and total political control, as the Arjun Sengupta Committee report has confirmed. Even the most carefully crafted management consultancy services can hardly hope to cope with those issues which pertain to the environment within which the public sector has to function. Perhaps it would have been better if Pathak's services had, instead, been utilised to infuse efficiency and dynamism in government and bureaucracy. On the contrary, for the public sector, yet another control point has been built: the consequence of an offshore proposal.

Anand P. Raman in New Delhi

COMPANIES

Peerless coup

After months of uncertainty over its future, in an unexpected corporate coup the Calcutta-based Nicco group has acquired 18% of the equity of the Peerless General Finance & Investment Co. Ltd., one of the country's largest non-banking financial institutions. The 18% stake in the company's current tiny paid-up share capital of Rs. 36 lakhs (36,000 equity shares of Rs. 100 each) has been acquired by two Nicco subsidiaries — Nicco Investments Ltd. and Nicco Services Ltd. — which have each bought 9% of Peerless' share capital. And consequent to Nicco's participation in the management, a decision that was finally clinched on the evening of 16th July, the board of Peerless has immediately been restructured.



Kaul: family relationship

Under the stewardship of P.C. Sen, the former chairman-cum-managing director of Burn Standard (Sen resigned from the public sector enterprise to assume charge of Peerless on 1st August), the newly constituted board consists of N.K. Banerjee, managing director of Place Siddons and Gough, a leading stockbroking firm in the city; Tuhin Kanti Ghosh, son of Congress(I) MP Tarun Kanti Ghosh and chief general manager of Amrita Bazar Patrika Pvt. Ltd.; Dr. Abhijit Sen, deputy chairman of Nicco; N.K. Bose, a financial consultant; S.K. Roy, brother of the late B.K. Roy, the founder of the Peerless group of companies; and A. Chatterji, a former member of the Peerless board. Two former directors of the earlier four member Peerless board have resigned voluntarily.

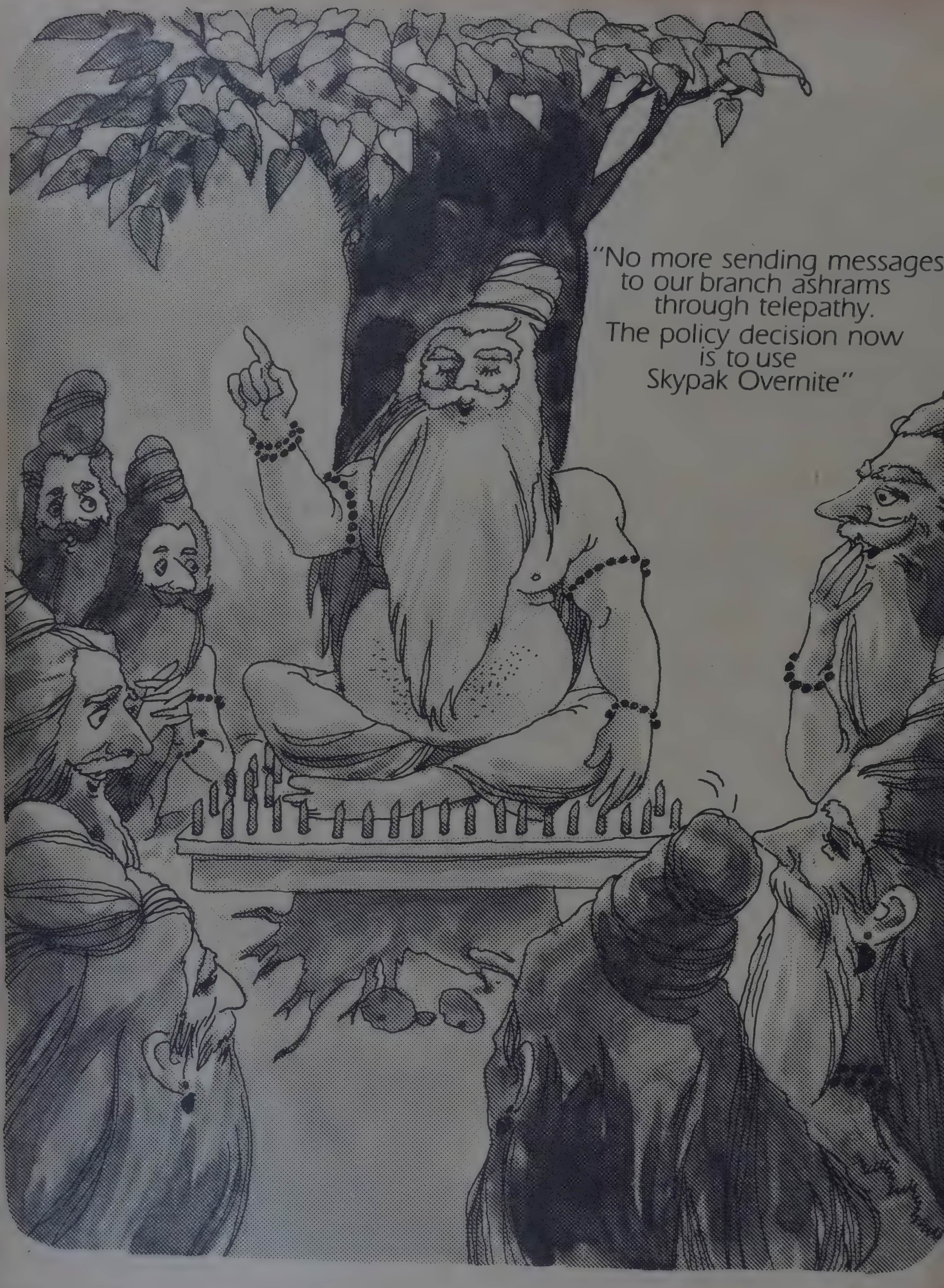
Surprise announcement. But if Calcutta corporate circles have been taken by surprise by this breakfast table announcement of a few days ago and the negotiations for "professionalising Peerless" were clinched in a "very short while," the decision to broadbase the board of directors of Peerless had been under discussion for quite a while. "It is not as if this decision was taken overnight," says S.K. Roy, the former wholetime director of the company who, since the death of his brother B.K. Roy last year and the successive death of the chairman of the group H.K. Sen earlier this year, had donned the mantle of the chief executive and had been on the lookout for a professional alliance.

"As far back as 1977, the then board of Peerless had taken a decision that the phenomenal growth of the company required the induction of a larger number of professionals into the board of directors. At that time the company had adopted a special resolution at the annual general meeting to coopt two directors to the board who would be nominated either by the Reserve Bank of India or the Central government. Hence the Nicco participation in our equity is in a sense the result of a long search for a fruitful professional relationship." On its part the Peerless tie-up was triggered off by a long time family relationship, claims Rajive Kaul, managing director of the parent Nicco Ltd. (sales: Rs. 26.47 crores in the year ended 30th April 1985).

P.C. Sen, the managing director designate of the reconstituted board and a long time friend of the Kaul family, had broached the Nicco management with the equity participation proposal, says Kaul. And quick to respond to a business opportunity — one that enabled Nicco to vault into the financial services league in a big way — the deal was clinched, "in a very short time," he adds.

For Sen, the decision to join the Peerless board was also prompted by emotional and familial considerations. Son-in-law of the late H.K. Sen, chairman of the Peerless group, Sen, together with friends and associates, recently acquired 22% of the equity of the company and took charge as the managing director on 1st August. But with 18% of the equity of Peerless acquired by two Nicco subsidiaries and another 6% acquired by Nicco "friends and associates" (adding up to a total of 24%), the largest interest in Peerless is unequivocally that of Nicco's.

And for this group the acquisition of a controlling interest in Peerless is believed to be a corporate bonanza. With over 25 million certificate holders, 4 lakh field employees and 40,000 office employees on its rolls, Peerless controls resources valued at an astronomical Rs. 700 crores. But unlike the somewhat dubious fly-by-night investment companies that have vanished overnight, Peerless' assets are fully secured in bank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deposits and investments in government securities.

Not that the company is without its share of problems. In the wake of the Sanchaita scandal which ruined millions of small investors in West Bengal in August 1979, the state government had asked Peerless to wind up its business on the grounds that it came under the purview of the Prize Chit and Money Circulation Banning Act, 1978. In March this year, the Calcutta high court ruled that the company's business did indeed fall under the purview of the Act. On appeal, this order was set aside by a division bench of the same court two months later. Yet while delivering the latter judgement the high court had directed Peerless to function as a loan company conforming to clause 19 of the Non-banking Financial Companies (Reserve Bank) Directions, 1977.

Deposit restrictions. Under this section, the operation of a loan disbursing company is subject to the restriction that deposits from the public can be raised for a maximum period of 36 months and cannot exceed 25% of the company's paid-up capital and reserves. Peerless, on the other hand, issues deposit certificates for periods ranging from 15-30 years. Therefore, if the company conforms to the letter and spirit of the RBI directions the "organisation would have to wind up business," says Rajive Kaul.

Besides the RBI directive that is hanging over the heads of the Peerless management like the proverbial Damocles' sword, there are two other pending cases which some employees feel pose a major threat to Peerless. One is the case the company is fighting against the public sector General Insurance Co. (GIC), challenging the latter's decision to restrain GIC's subsidiary National Insurance Co. from providing personal accident cover to Peerless' certificate holders under an annually renewable agreement.

The other case filed by the MRTP Commission, challenging some of the company's alleged business irregularities, has been instigated by the Ahmedabad-based consumer organisation, the Consumer Education and Research Centre (CERC). In its study published in 1985, reporting on the *modus operandi* of Peerless, CERC researchers had challenged the company's claim that its s ings schemes are financial servi schemes which offer the additional b nefit of life insurance cover which, a cording to CERC, in fact they do not.

And to add to the headaches of t new management the unions too ha jumped into the fray to highlight a ho of questionable practices in the co pany. Their demand for nationalisati of the organisation has been periodica echoed by prominent representatives the state and Central governments whi sporadic employee demonstrations ha hampered the smooth functioning of th company.

Sensible option. Against this backdrop pending litigation, aggressive employe and no political clout to resolve the *im passe,* the decision to sell out wa perhaps the most sensible option for th Roy family. The buyers however ar reasonably confident of winning gover ment support though no official aye o nay has emanated from the corridors o power of either the state or Central gov ernments. "We have always worke in concurrence with governmen

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agencies," says Kaul. "A large number of our projects — Webel-Nicco, Telelink-Nicco — are joint ventures with the active participation of the governments of West Bengal and Orissa. A dialogue has been initiated with the West Bengal government and we shall certainly abide by their directives," says Kaul.

Meanwhile, the new management has clearly spelt out a three-pronged operational strategy. "We have no intention of retrenching any of the workforce though a deployment of employees into other areas is not ruled out," says Abhijit Sen (41), the MIT educated Nicco representative on the newly constituted Peerless board. "And without endangering the security of certificate holders we plan to deploy available resources in diverse areas to optimise the returns on funds. Thirdly, we do not believe in a policy of confrontation and any reservations that the RBI or the state government has against Peerless' operations can be discussed and ironed out. In fact, we have requested the merchant banking division of the State Bank of India to advise us on restructuring the company in keeping with the West Bengal government and Reserve Bank guidelines," adds Sen.

But such assurances notwithstanding, the pressure for nationalisation from the ranks of the employees is intensifying. Comments Sitangshu Joradhar, secretary of the INTUC-backed Peerless Karmachari Samity: "We will continue to press for our demand for nationalisation."

Clearly, the troubled times for Peerless are far from over. The new management will require more than ordinary tact and diplomacy to quell the apprehensions of Peerless' 40,000 employees — not to speak of its 25 million certificate holders.

Debjani Sinha in Calcutta

INFRASTRUCTURE

Neyveli Lignite blazes a trail

For many years now, lignite — the brown coal with half the calorific value of good coal — has been considered the poor country cousin of rich black prime coal. But this evaluation is no longer justifiable in the light of the enormous strides that the public sector Neyveli Lignite Corporation (NLC — estimated sales: Rs. 325.41 crores in the year ended 31st March 1986), which runs the first major lignite-fed power station in Asia, has made. That the company has emerged as a public sector blue chip — at least in the estimation of New Delhi — is evidenced by the fact that NLC is one of the first few public sector undertakings permitted to raise funds for the capital market.

On 14th July, NLC entered the capital market with a public issue of 5,00,000 14% secured redeemable non-convertible bonds of Rs. 1,000 each for cash at par, to raise Rs. 50 crores. Says M. K. Ganesan (52), director (finance) of the company: "Against our project requirements of Rs. 1,900-Rs. 2,000 crores during the Seventh Plan period, the government allocation is around Rs. 1,500 crores — Rs. 800 crores for power generation and Rs. 700 crores for mining. Thus, there is a Rs. 400-Rs. 500 crore gap which has to be bridged. This Rs. 50 crores is a small token issue and could be (construed as) the first step towards privatisation, i.e. inviting direct public participation in public sector undertakings. NLC has been chosen by the government to be among the first few public sector companies to invite such public participation."

Excellent performance. The choice can hardly be faulted. With its thermal power station and mines often operating at over 100% capacity utilisation levels during the last four to five years — the average plant load factor in 1985-86 being 77%, "a performance that excels even private sector generating units" — NLC has emerged as one of the top 10 profit-making public sector units in the country. If trading and oil companies are excluded from the ranking, NLC would be rated the third most profitable company in the public sector, says Ganesan. Total turnover (including internal transfers) has increased steadily from about Rs. 182 crores in 1980-81 to about Rs. 326 crores in 1985-86 while net worth has shot up from Rs. 262 crores to Rs. 823 crores during the same period.

These not unimpressive financial statistics provide clear evidence of the efficiency with which NLC has run its primary business — the commercial exploitation of lignite. Apart from lignite mining, NLC also operates a thermal power utility, a fertiliser plant manufacturing urea, a briquetting and low temperature carbonisation plant which produces carbonised briquettes and a clay beneficiation plant.

But altogether more visible is NLC's excellent performance in generating an estimated aggregate of 59.5 billion units of power from its two thermal power stations which have an aggregate installed capacity of 810 Mw currently. The first of its two thermal stations with an installed capacity of 600 Mw was commissioned in stages over an eight year period ending 15th September 1970, and the first 210 Mw unit of the second 630 Mw capacity utility was commissioned on 23rd May this year.

Consequently, even though NLC's first power station accounts for a mere 19% of Tamil Nadu's total power generation (hydel and thermal) capacity of 3,157 Mw currently, its contribution to the total power generation in Tamil Nadu is around 33%.

This percentage figure is scheduled to increase when NLC's second thermal station is fully commissioned in 1988, though the power generated by the second utility is proposed to be shared by all the four southern states and the Union territory of Pondicherry. To be built in two stages, the first stage envisages the setting up of three 210 Mw generating units (one of which is already operational) while the second stage comprises four generating units of 210 Mw each.

Narayanan: ambitious expansion plan

Ambitious expansion. With the commissioning of the first phase of this second unit, Tamil Nadu's total generation capacity will rise to 3,787 Mw and NLC's installed capacity will then constitute 24% of Tamil Nadu's total power generation capacity (thermal and hydel) while its power generation contribution will aggregate approximately 41%. Yet, this is but the beginning of the ambitious expansion plan that NLC's chairman and managing director M.P. Narayanan (52), a mining engineer from the Indian School of Mines, Dhanbad, has drawn up for the company.

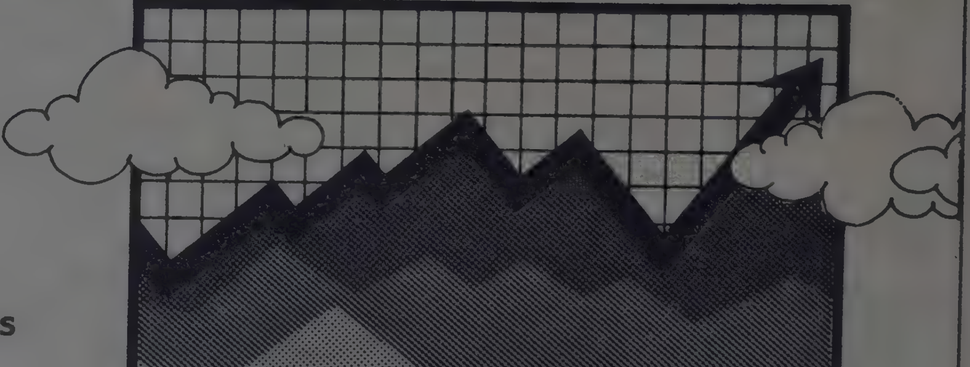
Comments Narayanan: "Apart from these existing projects, several other feasibility reports have been submitted to the government for consideration *viz.* the expansion of our first mine (Mine 1) from a capacity of 6.5 million tonnes to 10.5 million tonnes per annum, the expansion of our first thermal station from a capacity of 600 Mw to 1,020 Mw (by adding 2 x 210 Mw units), and the opening of a third lignite mine with a capacity to produce 11 million tonnes of lignite per annum, construction of a third thermal power station with a capacity of 1,500 Mw (3 x 500 Mw), construction of 400 Kw transmission lines, etc. When these projects are cleared by the government and implemented by 2000 AD, lignite production is expected to aggregate 32 million tonnes — a five fold increase — and power generation will increase to 3,990 Mw representing a six fold increase."

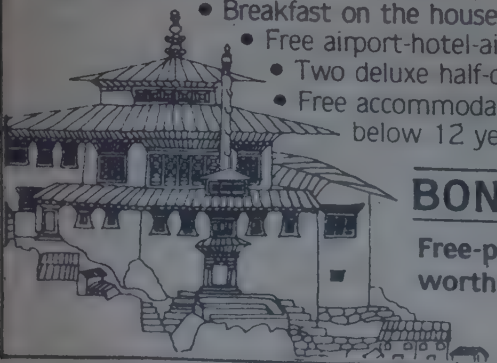
Quite clearly, NLC has come a long way from the days when it was described by the late former finance minister T.T. Krishnamachari as "a white elephant." Much of the credit for its transformation into a public sector blue chip, insists Narayanan, should go to the company's unnamed employees whom Narayanan describes as being both competent and dedicated. Independent observers are inclined to agree with this evaluation. NLC's dismal performance in the early years is attributed mainly to the then government's indifferent and sometimes stepmotherly attitude especially in the matter of funds. Fortunately, in the mid-seventies the government's parsimony gave way to a more generous flow of funds. This, coupled with a very active leadership, laid the base for NLC's turnaround and also its future growth.

Not surprisingly, the brightening fortunes of NLC have boosted employee morale to even higher levels as is indicated by the fact that despite heavy slippages in the commissioning of the first 210 Mw unit of the second 630 Mw plant, work was completed bang on schedule. According to Narayanan, this was made possible by the introduction of three working shifts, shifting decision-making centres to a field base committee to reduce lead times, organisational changes, etc.

Participatory culture. The fostering of a participative work culture has also helped, says Narayanan, adding: "The organisational culture that we have tried to foster is one of participation, with people being encouraged to express their views, participate at various levels, etc. This has created a sense of involvement among employees. We have also initiated a mentor-charge system whereby five officers are placed under the guidance of a senior officer who would be their mentor and guide and responsible for their growth and development. Ultimately, his assessment will have a bearing on their careers. Likewise, their performance would reflect on him. This system, we hope, would result in more personalised attention to young officers who may otherwise feel somewhat lost or rudderless, and help canalise their energies and thinking."

All of which has undoubtedly helped to transform the once sleepy hamlet of Neyveli into a supercharged modern industrial township where enlightened, current-day management concepts have taken root. Consequently, employee turnover is practically zero and managerial turnover, an infinitesimal percentage of its current staff strength of 21,300. Whether the same liberal dispensations will stay in place as NLC recruits an additional 7,000 people, or nearly a third of





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NLC's existing strength, over the next two years is a moot point.

But this notwithstanding, NLC's proposed rapid growth is definitely sweet music to 'Neyvelian' ears and possibly for the people of the southern region as a whole too. The general opinion is that NLC is a harbinger of prosperity, not only for the southern region — for which lignite is the only viable energy fuel alternative, according to Narayanan—but also for the entire nation. With lignite deposits located in Gujarat, Rajasthan, Jammu and Kashmir plus new deposits in Tamil Nadu, NLC has an ambitious plan of someday being a national nodal agency for the exploitation of lignite.

Who knows, perhaps someday, lignite could outdo its rich, black cousin.

Chandu Nair in Madras

INDUSTRY

Textiles: another outcry

The repercussions of the under-debated Handlooms Reservation Act, 1985 which has aroused passions all over the country and especially in the south (*BW* July 21-August 3, p.14) have also aroused the ire of the silk industry and trade in Karnataka. This industry, centred mainly around Bangalore, is up in arms against the Act which seeks to reserve production of sarees and grey unbleached fabrics with woven designs, exclusively for the handloom sector. The Handloom Reservation Order which encompasses 22 items, is to come into effect from 1st October.

As a mark of their protest, on 14th July sericulturists and agitated silk powerloom weavers observed a one day *bandh* throughout the state to protest against the implementation of the order, which will "perforce reduce silk powerlooms to the state of producing grey cloth fit only for draping widows," according to a leading silk cloth dealer and president of the Mysore Silk Cloth Merchants' Association (wholesale), Pathi Shankaranarayana (68). "The order bans production of sarees with border and body designs in powerlooms. Since the vast majority of silk powerloom weavers concentrate on weaving sarees, they will have to stop working, and 1 million weavers will be rendered jobless. Workers in allied activities like dyeing, twisting and reeling, numbering another 1 million, will also be affected," adds Shankaranarayana.

Karnataka's share of the country's silk fabric output ranges between 60% and 80%. An overwhelming part of this output is woven on powerlooms which are concentrated in the Bangalore and Belgaum districts. Production in Bangalore and its environs is mostly confined to sarees made from pure silk, pure silk blended with art silk, art silk, cotton and cotton mixed with art silk which are produced in Belgaum and in nearby areas. Piquantly an overwhelming number of the state's estimated 40,000 powerlooms engaged in producing silk and silk blend sarees is owned by traditional handloom weavers or those belonging to traditional weavers' communities, many of whom have 'converted' their handlooms into powerlooms, in the sense that the wooden looms have been replaced by metal ones.

Powerloom in operation: reservation disaster for silk industry

Cottage level. The silk powerloom industry actually operates at the cottage level and is characterised by family ownership. Accurate figures on the number of powerlooms in Karnataka, as elsewhere in the country, are hard to come by because of the existence of unauthorised looms.

Y.V. Venkatappa (62), president of the Karnataka State Powerloom Silk Cooperative Marketing Federation Ltd., in a memorandum to the Karnataka chief minister on the handloom reservation order claims: "There are approximately 30,000 silk powerlooms in the country, of whom 23,000 are active in Karnataka. These looms produce about 55 million metres of pure silk fabric per annum, consuming roughly 2,200 tonnes of raw silk per annum. Of this production, less than 10% is in the form of grey cloth, which is exempted from the handloom Reservation Order. If the order were (*sic*) implemented, 90% of what is currently being produced by powerlooms in the state will have to come from the handlooms. But that is impossible as it will require immediate installation of more than 1 lakh handlooms. Further, if all existing powerlooms are made to produce only grey cloth and the like, huge quantities of silk will have to be imported and this will have a disastrous effect on the price of silk, silk fabric and the sericulture industry in Karnataka."

Weaver exploitation. The protest by silk powerloom cloth manufacturers against the Act is however seen by the Karnataka Pradesh Weavers' Association as being motivated more by fear of lower profits for powerloom owners than any desire to improve the welfare of the workers who man the powerlooms. The association's president V. Nanjundappa who, like Venkatappa, also issued a press note to the same effect, urged the state government to stop the exploitation of weavers both in the powerloom and handloom sectors by appointing a committee to study the problems of weavers. But that of course, is another issue.

Powerloom sarees, popularly known as Bangalore sarees, are in great demand in north India. They are much cheaper than the handloom silk sarees of Kancheepuram, Dharmavaram, Arani and Varanasi. Bangalore sarees are a combination of pure silk and man-made filament yarn. The content of pure silk in any given saree ranges between 40% and 70%.

"Handlooms cannot produce sarees of a grammage less than 50 per metre, whereas the lowest grammage is 30 per metre in powerlooms. In other words, only powerlooms can make thin, lightweight sarees. Also, today the middle and lower middle classes are in a position to afford silk sarees for weddings and other festive occasions precisely because powerloom silk sarees are far less expensive as they are made from a mixture of pure and art silks. Once the reservation order comes into force, production of

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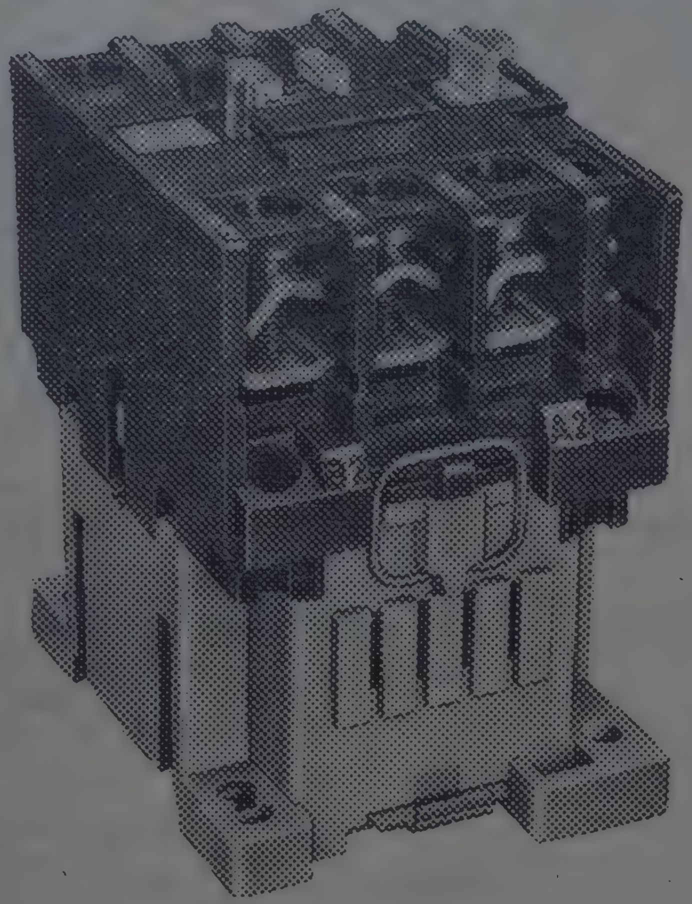

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A LAKSHMI – SPRECHER + SCHUH COLLABORATION

MAA(S) LECS 1D 86

P.N. Kumar (currently marketing director), Happy House was converted into a public limited company in August 1984 after ELCOT joined their act. Comments Bhattacharya, "ELCOT decided sometime in 1983 to aid the promotion of companies in the joint sector rather than in the public sector, possibly with an eye to getting the best of both worlds — the professionalised management and quicker decision-making prowess of the private sector and its (ELCOT's) advantage of better access to government and the financial institutions. Though the ELCOT proposal came in December 1983, owing to a spate of problems including objections from the local small-scale television manufacturers, the actual agreement took some time to materialise."

The agreement covers the entire range of consumer electronic goods. "It has to be that way. There is a logic behind it. Once you create a brand name, it makes sense to use its strength to the fullest extent," says Bhattacharya. The participation of ELCOT has conferred two main benefits: firstly, an increased amount of finance — for every rupee the original promoters invested, ELCOT puts in an equal amount — and secondly, a tremendous advantage in terms of quicker clearance of Central government licences.

Strong team. However, Bhattacharya takes pains to emphasise that the cash injection is not the only cause of Sears-Elcot's stimulating operational performance. "We have a strong team of engineers. In fact, the cumulative experience of our engineers is probably the highest in the television sets manufacturing industry. A solid technical team, plus an experienced marketing team, are our major strengths today," he says. Incidentally, a good number of these engineers were with Bhattacharya in his previous stints at Dynavision Ltd., which manufactures television sets under the brand name Dyanora, and Hi-Beam Electronics Pvt. Ltd. (Solidaire). In fact, Kumar and Bhattacharya had broken away from Hi-Beam in the early eighties to realise their entrepreneurial ambitions.

That their ambitions have been fulfilled, at least to some extent, is reflected in the increasing sales turnover of Sears-Elcot. Currently, the monthly production is 1,000 colour television (CTV) sets and 2,000 black & white (BW) sets (annual licensed capacity is 20,000 CTV sets and 50,000 BW sets). The company's target for 1986-87 is to double its sales turnover to Rs. 10-12 crores. "In terms of a market share, our production does not amount to much in the estimated Rs. 600 crores all-India television market," says Bhattacharya. "However, we are doing pretty well in the south and in the east where we have market shares of around 10%-12%. The west and the north are the strongholds of other brands. Our strategy thus far, has been to open regional offices, service centres and then step up marketing efforts," he adds.

Bhattacharya believes that Sears-Elcot's corporate philosophy of providing excellent after sales service through a public relations department which coordinates between the service department and the customer has given the company an edge in the marketplace. "I think this is unique to us. We have consciously developed a service culture, not just limited it to the service department. This is paying us rich dividends. We don't advertise as much as many of our competitors. Instead we believe that if the product is satisfactory, the customer himself speaks for the product. In fact, in a small survey that we had conducted among Sears-Elcot television buyers, 85% had bought our sets only on the basis of word-of-mouth publicity," says Bhattacharya.

Major objective. Convinced of the necessity to constantly attend to the customers' needs, a major future objective is "to provide outstanding service on a long term basis to the customer," and not just limit it to the warranty period. Steps therefore are being taken to enhance the technical superiority of Sears-Elcot over its competitors and to maintain a strong technical team. This is all the more necessary, contends Bhattacharya, since the present situation, in which 'screw-driver technologists' tend to dominate, is likely to change in the near future and only those companies with a strong technical base will be able to survive.

Confident of its inherent technical and marketing strengths, Sears-Elcot hopes to enter the video cassette recorder and audio equipment markets in the current year. And to finance these diversifications the company is drawing up plans to enter the capital market early next year.

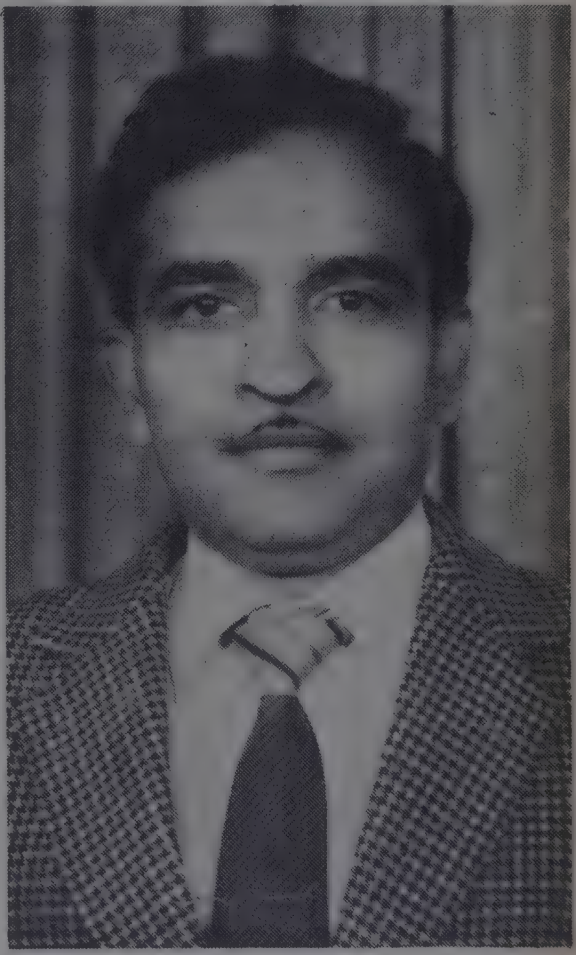
CHANDU NAIR IN MADRAS

The rise of Surya

From a small leasing company to a well-diversified group of companies with interests in the edible oil, soyameal and power cable businesses among others — all in a span of three years — is by any reckoning a big leap forward. Little wonder that the New Delhi-headquartered Surya group of companies has been attracting considerable attention of late particularly with the recent announcement of a new diversification venture into hi-tech solar batteries.

To implement the Rs. 30 crore solar battery project, Surya Industries Ltd. (formerly Surya Leasing Ltd., which earned a revenue of Rs. 60 lakhs in the year ended 31st March 1986) has entered into a technical and financial collaboration agreement with Sonnenschein GmbH of West Germany, a renowned pioneer of solar battery technology. The plant (capacity: 3,75,000 solar batteries per annum), to be located at Bhopal, is expected to go on stream by the end of 1988.

Explaining the significance of the new venture, S.K. Bhargava (41), chairman of the Surya group of companies comments: "Solar batteries, i.e. batteries which store solar energy, find application in sectors such as defence, railways, telecommunications and hospitals. We will also be able to tap the vast potential of the rural areas — many of which go without power — since the government plans to set up 5,000 solar villages, each of which will consume 15 solar batteries."


Bhargava: "vast potential"

Although the country continues to be largely dependent on conventional sources of energy, Bhargava believes that it will not be long before users of the solar battery discover its edge over the ordinary storage battery. For one, he says, the solar battery has a far longer life — 30 years against five years in the case of storage batteries. Apart from this the solar battery is maintenance-free, has a wide capacity and temperature range, and a simple charging technique.

"Very optimistic." A factor which also places Surya Industries' new project on a sure wicket, maintains Bhargava, is that Sonnenschein (which will subscribe to 10% of the company's equity capital of Rs. 6.5 crores) is the only company in the world which possesses the technology to manufacture solar batteries. "We are very optimistic about our new venture since our market research has shown that demand for solar batteries will be around Rs. 3,000 crores by 1990. We therefore expect that the sales turnover of Surya Industries' solar battery division will be Rs. 100 crores by 1989," says Bhargava.

Although the government is still to give its go-ahead to the project, managers within the Surya group do not anticipate any major hurdles. Their confidence no doubt stems from the fact that Surya Industries' new product line is an import substitute which will entail the saving of vast sums of foreign exchange. Furthermore, they point out, the government's positive attitude towards projects for the electrification of villages is also a factor in the Surya group's favour.

Closely linked to Surya Industries' diversification into solar batteries is a Rs. 6 crore project to manufacture solar modules (solar power generators). For this Gurgaon-based venture, the Surya group has recently finalised a collaboration agreement with AEG of West Germany. A new company, Surya Solar Ltd., is expected to commence manufacturing operations within a year.

According to Bhargava, the group's two new product lines are likely to have a far-reaching impact on the Indian economy. "To draw power lines in remote areas is a very expensive proposition for the government. Solar batteries and solar modules are therefore a far cheaper method of providing electricity to the 10,000 villages in our country that to this day have not known electricity," he says.

But apart from the Surya group's recent foray into the still somewhat esoteric field of solar energy, several other diversifications are also underway. Thus Surya Agroils Ltd. (sales: Rs. 12 crores in the year ended 31st December 1985) is to enter the market shortly with soyameal-based snack foods and lacithin, a chemical for industrial use. Similarly, Surya Industries, in collaboration with Lurgi, West Germany, will commence the manufacture of stearic acids, glycerine and fatty acids next year.

Highly competitive. Quite clearly the Surya group has come a long way in a short time from its humble beginnings in 1983. Commencing business in the leasing industry, the group went on to acquire a solvent and refinery plant near Bhopal in 1984 which was subsequently renamed Surya Agroils Ltd. The company is currently engaged in the manufacture of edible oil — which is marketed under the brand name Surya — and soyameal, soap stock and chemicals for industrial use. Though the group has continued its leasing business, the inherent limitations of operating in a highly competitive industry where there is little room for growth, prompted the takeover of two sick units in 1985. The two companies, Surya Power Ltd. and Surya Proteins Ltd., manufacture power and mining cables and soyameal respectively and are shortly to be merged with Surya Industries.

Bhargava has a simple explanation for the flurry of activity that is taking place in the Surya group. "In the last three years the group has expanded considerably and our solvent and refinery plant is now operating at optimum capacity. We therefore felt the need to diversify into untapped hi-tech industries such as solar batteries and stearic acids."

By all indications, the Surya group is setting its sights sky-high — and with impressive results, so far.

KAVITA BERY IN NEW DELHI

ICIM's new computer

Predictably, the liberalisation of licensing and other policies in respect of the indigenous computer industry since November 1984, has spurred the growth of this yet minuscule industrial sector to expected levels. Rapid sales growth — estimated at 30% plus in 1985 — has also inevitably resulted in a proliferation of computer models being put on offer in the Rs. 160 crores per annum indigenous computer market,with over a dozen new models of personal computers (PCS) alone being introduced by as many manufacturers during the last 12 months.

The somewhat excessive consumer choice resulting from such proliferation has however not prevented the country's largest computer manufacturing company, International Computers Indian Manufacture Ltd. (sales and other income: Rs. 39.30 crores in the 15 months ended 31st December 1985) from introducing yet another small business computer into the Indian market.

Sagar: greater capabilities

On 10th July, the company's senior vice president, Veer Sagar (43), unveiled the company's second line of personal computers, christened the ICIM Quattro, at a press conference in Bombay. "The Quattro is targeted at the upper end of the PC market and is a machine with much greater number crunching capabilities than any comparable product available in the market today. It is therefore not just another PC, but an entirely new class of machine," says Sagar.

Growing awareness. A postgraduate in nuclear physics of Osmania University who signed up with ICIM in 1984, Sagar believes the Quattro has several unique features. "It is the only PC on offer currently which can handle up to 150 megabits of information stored on hard disks, while simultaneously permitting up to four individual microcomputers to be linked to it. Its ability to handle large volumes of data is significant in the Indian context, because most users of computers in India use PCS for functions that really require larger computers. In fact, most Indian users of computers deploy their machines primarily for number crunching work, for which the average PC is quite inadequate. Users realise this only after buying a PC which vendors claim can do all they want it to do. Fortunately, user awareness is growing.

and many computer users now know what they want, and what various computers are capable of," he says.

Sagar is therefore confident that actual and potential users in travel and transport, construction, stockbroking firms, hotels, wholesalers and banks, which typically handle large volumes of data, can be persuaded to purchase the Quattro. Having sold over 1,000 ICIM business PCS during 1985, Sagar is optimistic that the sales target for the Quattro, which has been pegged at 2,500 for the 12 months ending 1st August 1987, will be met.

But he admits that it is unlikely to be a cakewalk for ICIM. In the light of the fact that a minimum recommended configuration of a CPU, a dot matrix printer, three terminals, one floppy disk drive and a 20 megabit disk drive will cost over Rs. 2 lakhs — or over four times the cost of the cheapest computer system on offer within the country — Sagar is aware that more than a little persuasion will be required to induce potential customers to ante up this price. Imminent competition from Tata Burroughs Ltd. — which also proposes to launch a high capability microcomputer shortly — isn't going to help either.

Yet, Sagar is not discouraged by these developments. "The computer market is growing more rapidly than we had predicted earlier when we introduced a new business PC last year in the premium end of the PC market. We expected to sell no more than 300-400 machines in a full year, but we actually sold over 1,000. We had obviously underestimated the demand. We did not count on the base widening to include small manufacturing businesses and wholesalers as rapidly as it has done. But based on our experience of the last year, I think that we can realistically expect to sell 2,500 Quattros in the next 12 months."

Which only goes to prove that constant carping and criticism of inadequate protection notwithstanding, the indigenous computer industry isn't quite in the dog-house yet.

MICHAEL NERI IN BOMBAY

Khoday goes public

The Bangalore-based Khoday group, the well-known manufacturer of Indian-made foreign liquor, is poised to enter the polyester filament yarn and cement manufacturing businesses. The group has been selected by the Karnataka Industrial Investment and Development Corporation (KSIIDC) as co-promoter for the latter's yarn project, which will involve a capital investment of about Rs. 100 crores, and is likely to be located either in Kollegal in Mysore district, (where the Khodays have a couple of their liquor manufacturing units) or in Gulbarga.

Interestingly, the Khodays, whose only foray into textiles was way back in 1906 when the group's founder, Eshwarsa Khoday, set up a silk yarn and fabrics unit in Bangalore, were chosen as the co-promoters of this project in preference to such heavyweights as J.K. Synthetics and United Breweries. "The KSIIDC preferred to tie-up with a local entrepreneur and we perhaps happened to be the strongest among the contenders in Karnataka. I would rather not say anything more since the project proposal is still at a nascent stage," says Ramachandra Khoday (55), chairman and managing director of Khoday Distilleries Ltd. According to company sources, the Khodays are willing to ante up to 40% of the equity capital required for the yarn project, which will involve an as yet unidentified foreign collaboration.

Khoday: nascent stage

The yarn project apart, the Khoday group whose total sales touched Rs. 70 crores in the year ended 30th June 1986, has been licensed to set up a cement plant with an annual capacity of 8 lakh tonnes. The plant, to be located in Gulbarga, will initially have an annual capacity of 5 lakh tonnes. "We may have to promote a new company to implement this project, which too will have a foreign collaboration," says Khoday. The letter of intent at present stands in the name of Khoday Brewing & Distilling Industries Ltd., one of the 27-odd companies in the group.

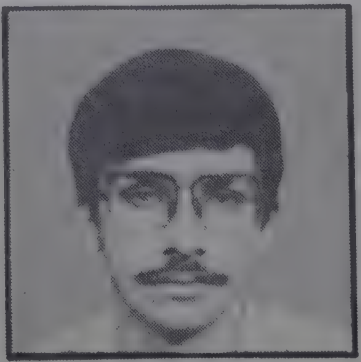
Diversification. In the meanwhile, Khoday Distilleries Ltd. (sales: Rs. 22 crores in the year ended 30th June 1986), the flagship company of the group which is engaged in the manufacture of some of the most well known brands of Indian-made foreign liquor, has diversified into the electronics, engineering and construction businesses. The electronics division manufactures geo-physical investigation equipment and the engineering division fabricates equipment for distilleries, breweries, pharmaceutical companies and dairies, besides producing certain other engineering items. The company's construction division is currently executing a Rs. 20 crore contract for building 600 high income group houses for the Bangalore Development Authority. The company also proposes to invest Rs. 11.95 crores for modernising its distilling plant and equipment with the aim of increasing the production of malt whisky for both the domestic and export markets.

To mobilise part of the funds for this modernisation programme as also to meet enhanced working capital requirements, the company went public on 28th July by issuing 24 lakh equity shares of Rs. 10 each for cash at a premium of Rs. 10 per share and 4.8 lakh 15% secured redeemable non-convertible debentures of Rs. 100 each for cash at par. The modernisation project is expected to be completed by June 1988.

Not that the company is doing badly currently either. Sales are likely to rise to Rs. 27 crores in 1986-87 and to Rs. 40 crores in 1987-88 with its net profit rising from Rs. 3 crores to Rs. 4 crores. According to Khoday, the company will be in a position to pay a pro-rata dividend of 20% on the enhanced capital for the year ending 1986-87. The company has capitalised only Rs. 3.45 crores of its reserves and surplus of Rs. 8.39 crores at the end of June last year. There is now a proposal to further increase capital by issuing bonus shares in the ratio of 1:2 within the next two years which, says Khoday, will benefit new subscribers as well.

The Khoday group, which has a market share of 20%-25% in the Indian-made foreign liquor market with a major proportion of production being ab-

MODELS FOR SUCCESS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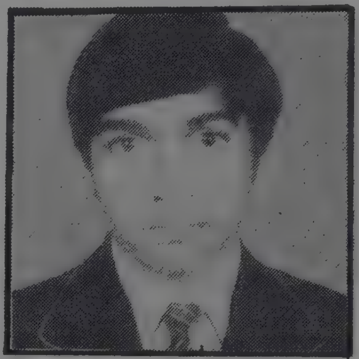
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sorbed by the armed forces also manufactures liquor glass bottles, typewriter ribbon and carbon, office stationery and beverages, apart from being involved in the hotel and travel agency businesses. The group is currently engaged in setting up hotels and motels in tourism centres in Karnataka, and distilling facilities in Maharashtra, Haryana, Madhya Pradesh and Rajasthan.

Thanks to their spirit of enterprise and not a little to right connections in high places, the Khodays have grown over the last eight decades into a prominent industrial group in south India, with total sales expected to cross the magical Rs. 100 crore mark by 1990. Somewhat belatedly, the ruling oligarchy within the Khoday group has taken the decision to share the gains of growth with the investor public.

N. RAGHAVAN IN BANGALORE

Pioneers' anniversary

If the setting up of a full-fledged Union ministry for human resources development (HRD) is any indication, this hitherto neglected area of organisational development is at last being taken seriously. With the intensifying competition in the marketplace, corporate managements too are beginning to realise that developing people is the *sine qua non* of improved productivity.

It is against this background that the Pune-based training consulting firm MAP Consultants celebrated its seventh anniversary on 1st July. Presiding over the celebrations was A.N. Maira, resident director of the Pune-based Tata Engineering & Locomotive Co. (TELCO), a company which appears to have considerable faith in MAP's training packages. The firm provides a comprehensive range of services in the area of HRD which includes *inter alia* customised training packages and programmes on supervisory and management development, dealer development, customer satisfaction, communication skills, customer orientation and time management.

"During the last seven years, we have emerged as pioneers in the field of mass training in the country by developing a unique methodology for training large numbers of people, quickly, economically and effectively," says a proud Dr. Shashi Khanna (37), executive director of MAP who obtained her doctorate in physics from IIT Delhi. She launched MAP (an acronym for Management Analysis & Projects) in 1979 along with her late husband Ashok Khanna, who passed away in December 1985 at the young age of 39. Since the inception of MAP, Shashi Khanna has conducted together with her MIT-educated husband (until his death) management development programmes for TELCO, KSB Pumps, Bajaj Auto and Thermax Ltd. Today she bravely soldiers on — determined to accomplish the Khannas' joint mission to improve productivity levels in Indian industry.

Khanna: unique methodology

"There has certainly been a qualitative change in the attitudes, skill levels and leadership qualities of a large number of managers who have undergone formal training programmes," asserts Khanna.

Unique methodology. In particular, according to Khanna, MAP's unique training methodology incorporates the tenets of effective adult learning i.e. andragogy, which differs vastly from the principles of child learning i.e. pedagogy, normally followed in traditional training programmes. "Adults cannot be taught the way children are taught and will simply disappear from learning experiences that do not satisfy them," she says. In addition, the firm's training packages are interactive and participative as opposed to conventional training methods which are entirely lecture-oriented, she adds. "In devising managerial training packages it is important to take care to meet the needs of individual participants and ensure the involvement of the senior management in all aspects of the training. It is also necessary to devise innovative feedback systems for the improvement of such training programmes," says Khanna.

According to her, MAP's cost-effective training packages make it possible for corporate clients to train large numbers of people in about 15% of the time and at about 10% of the cost that traditional programmes require. "In MAP we believe that adults must be motivated to learn and will learn best in an informal and congenial environment in which the status differentiation between the teacher and the student is minimal. Further, new learning must be related to, and integrated with, the participants' past experience," says Khanna.

Recently MAP successfully designed a four week supervisory development programme for TELCO. The programme, the first of its kind in the country, seeks to sharpen the managerial skills of over 900 supervisors over a period of about two years in four training modules. In the first phase, MAP identified 36 managers of TELCO for a 17-day 'train the trainers' programme. Since then, these managers have been imparting training to supervisors in batches of 20. As a result, all 900 supervisors have completed the first module of six days successfully.

"The feedback received from the company has been extremely encouraging. Supervisors have become more positive in their outlook and are now actively cooperating *inter se,* while their problem-solving abilities have improved considerably," says an elated Khanna.

Good position. With her extensive experience in conducting training programmes in several organisations, Khanna is in a good position to comment on the strengths and weaknesses of Indian business organisations in general. "My observation is that the average workforce in companies tends to be hardworking, committed and loyal to the employer organisation. But most of them still lack strong value systems, team work and human relations skills."

Khanna expects attitudes towards HRD to change slowly in the light of the changing scenario in the marketplace. "In the emerging competitive environment, only those organisations will survive which not only realise that people are their most important assets but make constant efforts towards developing these assets," says Khanna. A point which aspirant winners of tomorrow would do well to note.

K. VISHWAM IN PUNE

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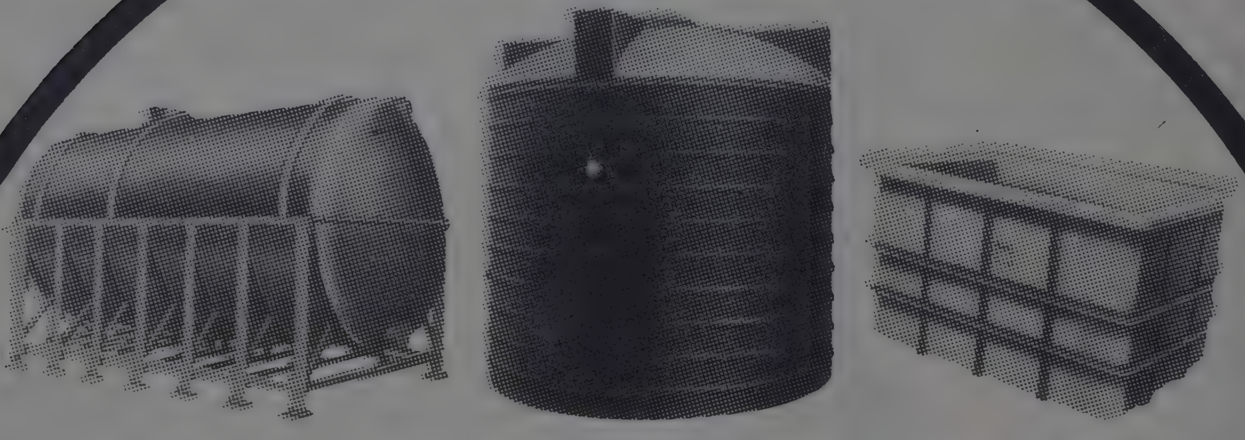

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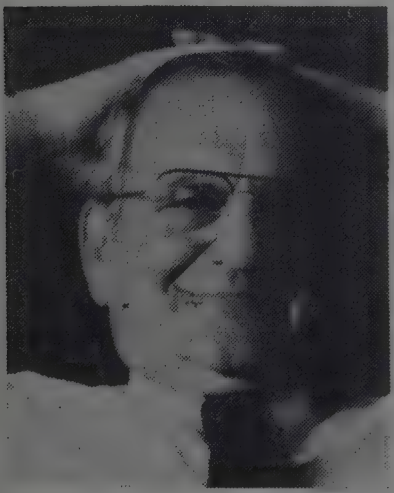
BusinessWorld
August 4—17, 1986

The Liberty party

LEE A. IACOCCA



A couple of weeks ago, the ABC network decided to interview selected people on what liberty means to them. I was one of those interviewed, I guess because I'm chairman of the Statue of Liberty and Ellis Island Foundation.

They wired me up to the satellite, and I listened. I listened first to Anatoly Scharansky talking from Jerusalem about his years in prison in Russia, and about his new-found joy of being free. Then Bishop Tutu came on from Johannesburg, and he talked about the freedom for which he was fighting, but which he didn't have yet.

Listening to them, I remembered some of the people who'd helped us restore the Statue of Liberty. I remembered a man from Poland who sent us $2 for "this beautiful symbol" that he never expects to see himself. And I remembered the money order that came from a refugee camp in Thailand. Seventy-eight homeless Vietnamese passed the hat round and came up with $114.19 as "our humble share for the rehabilitation of the Statue of Liberty on the occasion of her hundredth anniversary."

Then I heard the ABC director whisper, "Mr. Iacocca, you're on in one minute." And suddenly it hit me: What the hell was I doing on the same programme with these other men? I've never been anything but free. I had nothing to compare it to. Freedom was my birthright, like breathing. I've always taken liberty for granted, like so many others

I don't even remember what I said when my turn came. I just knew I didn't belong. Scharansky and Tutu, that guy in Poland with his $2, those 78 Vietnamese stuck in a smelly camp in Thailand—those are the experts on liberty, not me! They're the ones who really know what liberty is, not those of us lucky enough to have it. I can't define liberty the way they can. Four years of hard work trying to restore liberty's most important symbol, and I still don't know what liberty is—at least not the same way they do.

INCREDIBLE GIFT

But I know one thing, I'm grateful for it, and I know that liberty brings with it some obligations. I know that we only have it today because somebody fought for it, nourished it, protected it, and then passed it on to us. That's a debt we owe. We owe it to our parents if they're alive, and to their memories if they're not. But mostly it's an obligation that we owe to our own kids, an obligation to pass this incredible gift on to them.

At least 20 million of us have been thinking enough about what we owe to send in individual contributions to restore the Statue of Liberty and Ellis Island. My main job was to raise the money for the restoration. It was a sales job, and I'm a salesman, but believe me I've never had an easier sale. Once the word went out that the Lady was in trouble, the American people signed up to help her out. Early on, a man walked into my office and handed me a cheque for a million dollars in honour of his immigrant mother. His only stipulation was that I never divulge his name. Right then and there I knew we were off to a flying start.

Then came the school kids, and oh, did they come! Nickles and dimes from baking cupcakes, selling T-shirts and washing cars. Some of them even sent us their lunch money. And five and a half million bucks later, they're still coming through. I also get hundreds of crayon drawings of the statue from budding little artists and hundreds of poems in her honour from, I guess, budding little Emma Lazaruses. And I got a daily diet of essays, 25 words or less on "what the Statue of Liberty means to me." These were all more important than even the nickles and dimes.

SPECIAL DEBT

Four years ago when the president kicked off this programme in a White House ceremony, he made a wise decision. He turned the whole project over to the people. He could have just told the Park Service to repair the statue, like any other monument or public building, and that would have been the end of it. Instead, he gave us all a chance to get involved—and a chance to pay the debt we owe. The 17 million people who sailed past the Lady with the Torch just before setting foot on Ellis Island always felt a special debt. She was their first sight of America, and they never forgot her. Two of those immigrants were Nicola and Antoinette Iacocca, my father and mother.

The sons and daughters of the immigrants always talk about that debt they owe. And I've been amazed at how far some of them have gone to pay it. I got one letter from a woman in her eighties with a cheque for $10,000. She added a p.s. asking for a free copy of my book because there was a two month wait at the library. Now there's a woman after my own heart. She'll give 10 grand for the statue, but she isn't about to go to the bookstore and spend $19.95 just to read about some Italian kid's ups and downs in the car business. Talk about having your priorities straight!

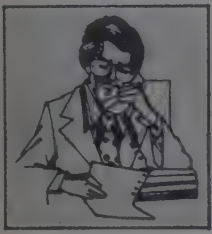
REMEMBRANCE & RENEWAL

This campaign seems to have pulled a lot of patriots out of the closet. A lot of people have been saying some things from the heart about America that they've always kept inside. It has been much more than a simple restoration, it's also been a remembrance, and a renewal. We've restored a statue, we've remembered our forefathers, but most important of all, we've renewed our commitment to an ideal. Without that renewal, the restoration and the remembrance don't mean very much.

All that came to a head on Liberty Weekend. It was the greatest outpouring of unabashed love of country that we've ever seen. Some people say that our party was too loud and went on too long. I expect there will be a national hangover of sorts now that it's all over. But that doesn't bother me. I only hope that this sense of renewal stays lit along with the Lady's torch now that the fireworks are over and the bands have stopped playing and the tall ships have sailed home.

Will the meaning last longer than the music? Or was it just a party—a tribute to ourselves? I pray not; because the ideal that the Lady stands for—Liberty—is the most precious possession we'll ever have. We can't put it away, to mildew, for another hundred years. We have to preach it and practise it and live it and nourish it; and maybe, if we can get our act together, we can even begin to export it to some of those who weren't with us last weekend. It's the best product we have.

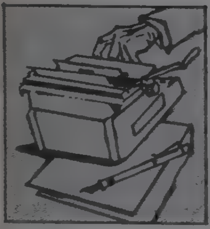
Pick of the jobs



"With the Rajiv Gandhi government according greater importance to human resources development and enforcing pollution control measures more strictly, the demand for HRD managers and environmental engineers has spiralled. The supply, however, is lagging far behind and the same few managers who qualify are job-hopping from one company to another. For the recruiter, it's becoming tough to get hold of the right personnel, as every employer wants trained people. It is high time industry started training people in these areas," says D. Ramaswamy, director of Career Placement & Marketing Services, Bombay.

According to Ramaswamy, the other areas in which there is currently a tremendous dearth of personnel are R&D, materials handling and electronics engineering.

FINANCIAL CONTROLLER



Marketing Advisory Services, Bombay, is on the lookout for a financial wizard to take over as the number one corporate finance man of a Bombay-based company which markets consumer products.

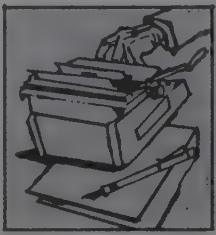
To qualify for consideration, aspirants should be chartered accountants, preferably with additional qualifications in costing and company law; should be between 30 and 35 years of age; should have had seven years' experience in senior finance managerial positions and should be currently earning over Rs. 1,00,000 gross per annum.

The ambit of the appointee's duties will be to supervise the entire financial operations of the company, encompassing the group companies and will include monitoring the company's management information systems (MIS), working capital management, banking, taxation, project assessment, funding, financial accounting, budget costing, etc.

Salary and perquisites are negotiable for the selected candidate.

Enquiries to Marketing Advisory Services, 541, Eleventh Road, Bombay-400071. Tel: 5518027.

ZONAL MANAGER—BOMBAY



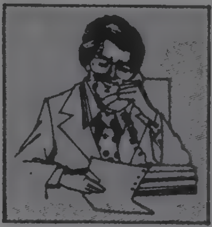
A large, reputed Madras-based, multi-product consumer company has also retained Marketing Advisory Services to recruit a livewire zonal manager for their Bombay office.

For this slot, the aspirants should fulfill the following minimum requirements: they should be engineering graduates and postgraduates in management; should be between 38 and 42 years of age; should have held the number one position at the state or regional level in selling or marketing for at least eight years and should be currently earning gross salaries of Rs. 6,000-Rs. 8,000 per month.

The job entails marketing and administration of the company's operations in the defined zone, which is a profit centre. Therefore all functional areas relating to running the business in the zone will come under the purview of the appointee.

The salary contemplated is around Rs. 4,000 per month with a furnished company flat, a car and chauffeur and the usual perquisites.

PERSONNEL AND INDUSTRIAL RELATIONS MANAGERS



Anand Consultants, Bombay, is looking for two personnel managers for two large engineering companies, both based in Bombay and one deputy industrial relations manager for an electronics manufacturing company, also based in Bombay.

"The demand for skilled personnel managers is intensifying and since the supply does not match it, one has to search hard to get a competent man in this field. With steeply rising wage costs, the growing complexity of legislation relating to employment, the problems of conflict between managements and work forces at a time of increasing competition in the marketplace and the looming problems of changing manpower requirements as new technology is introduced, firms and organisations need far greater expertise from their personnel managers who are consequently gaining greater influence within the corporate sector," comments Dr. K. K. Anand, managing director of Anand Consultants.

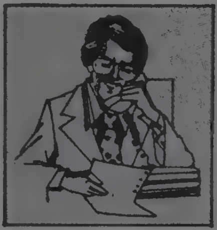
Candidates for the positions of personnel managers should be postgraduates in personnel management, should be between 40 and 50 years of age and should have proven managerial experience in industrial relations and personnel management functions in large industrial organisations. They should also be capable of leading a team of professional executives.

Candidates for the position of deputy industrial relations manager should be postgraduates in industrial relations and should have had a good amount of exposure in this field.

For the ideal candidates, salaries and perquisites will be theirs for the asking. Residential accommodation may be considered for the deputy industrial relations manager.

Enquiries to Anand Consultants, 109 Bajaj Bhavan, Nariman Point, Bombay-400021. Tel: 2024955, 2028014.

PRODUCTION MANAGER

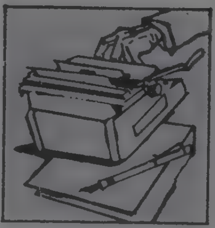


For a large engineering company based in Bombay with an annual sales turnover of more than Rs. 100 crores, Anand Consultants is hunting for a production manager. The company is part of a large industrial group.

For this key position, candidates should be electrical, mechanical or chemical engineers, between 40 and 50 years of age and should have at least five to 10 years' experience on the shopfloor.

The appointee will call the shots as far as the production function is concerned. High salary expectations will not be a constraint for the ideal candidate.

FINANCIAL CONTROLLERS



Anand Consultants is also on the lookout for two financial controllers for a chemical engineering company based in Bombay and an electronics company also based

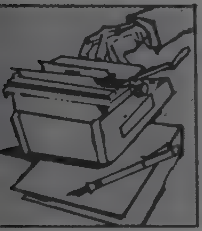
Bombay, both of which are part of ne of the largest industrial houses in e country. The firm is also scouting round for two more financial controlrs-cum-company secretaries; one for a rge engineering company based in asik and the other for a textile comany based in Indore.

Candidates for these senior level jobs hould be chartered accountants, round 40-50 years of age, with 10-15 ears' experience and sound track reords in financial management. Addionally, applicants who have served as ompany secretaries should be assocites of the Institute of Company Secreries.

The jobs entail taking charge of the nancial and accounting functions at e corporate level.

The compensation package contemlated is negotiable for the chosen andidates.

MARKETING MANAGERS

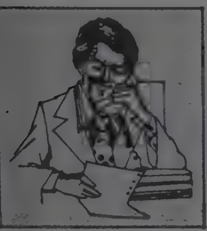


Anand Consultants is also in the market for two high-flying marketing managers for two electronics manufacturing and engineering companies, both based n Bombay.

To fit the bill, aspirants should be ngineers who have postgraduated in management, should be between 30 and 0 years of age and should have had at east 10 years' experience in marketing lectronics or engineering products.

The salaries contemplated are generous and will not be less than Rs. 5,000 per month.

SENIOR EDP MANAGER



A reputed multinational pharmaceutical company has also enlisted the services of Anand Consultants to recruit a senior EDP manager to be posted at its corporate headquarters in Bombay.

To qualify for consideration, aspirants should be postgraduates in science or the arts or commerce, or have a bachelor's degree in engineering; they should have had at least 10 years' experience in electronic data processing and should be in their thirties.

The job involves writing and maintaining programs, designing and implementing systems in the areas of production, finance, personnel and marketing.

The salary and perquisites are negotiable and will not be less than Rs. 5,000 per month.

MANAGER (MIS)

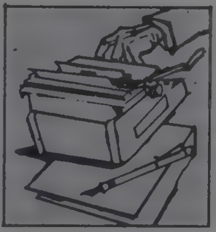
A large and reputed industrial house in Bombay, manufacturing a wide range of consumer products, has retained Career Placement & Marketing Services to scout around for a manager (management information systems).

Aspirants should be chartered accountants, between 30 and 40 years of age, and should have postgraduated in business management; they should have had five to seven years' experience in the MIS department of a manufacturing organisation. Knowledge of EDP will be an added advantage.

The salary indicated is Rs. 60,000 gross per annum, which is negotiable.

Enquiries to Career Placement & Marketing Services, P.B. No. 8105, Bombay-400051. Tel: 6421794.

SENIOR MANAGERS FOR KEY POSITIONS



A highly reputed consumer products company in Bombay with an annual sales turnover of well over Rs. 100 crores has retained Career Placement & Marketing Services to locate four senior managers in key disciplines, who will initially be posted in the company's Bombay office and after a few years transferred to Madras.

Aspirants who wish to take charge of the accounts manager's portfolio should be chartered accountants, with five to seven years' experience in managing the accounts of a company and should be below 35 years of age.

The appointee will be entitled to a salary of Rs. 75,000 per annum plus residential accommodation.

For the assistant company secretary's slot, aspirants should be qualified company secretaries, below 35 years of age, with five to seven years' experience as assistant company secretaries.

The gross remuneration package offered is Rs. 75,000 per annum. Residential accommodation will be provided together with other perquisites.

To be eligible for the training manager's position, aspirants should have postgraduated in personnel management from a reputed institute such as the Tata Institute of Social Sciences, Jamnalal Bajaj Institute or one of the IIMS; should be below 35 years of age and should have five to seven years' experience in the training and development department of a reputed manufacturing company. The remuneration contemplated is Rs. 75,000 per annum and residential accommodation will be provided.

To qualify for the position of assistant legal manager, aspirants should be graduates or postgraduates in law; they should be below 35 years of age and should have five to seven years' experience in the legal department of a manufacturing company.

The salary offered is Rs. 55,000 gross per annum.

FACTORY MANAGER

Career Placement & Marketing Services is also scouting around for a factory manager to pick up the reins of a Gujarat-based company manufacturing cosmetics and pharmaceutical products, which has an annual sales turnover of Rs. 35 crores and is part of a top Bombay-based business house.

For this vacant slot, aspirants should be postgraduates in chemistry or chemical engineers, preferably with an additional postgraduate qualification in business administration; they should have seven to 10 years' experience in a senior position preferably in an industry manufacturing cosmetics or pharmaceutical products and should be between 35 and 45 years of age.

The main thrust of the appointee's duties will be to oversee production, quality control and technical development and handle general administration including industrial relations, as well as fix and achieve quantitative and qualitative targets of production through proper planning and execution.

The compensation package contemplated is Rs. 5,000 per month plus liberal perquisites, including residential accommodation and car.

Indra Gidwani

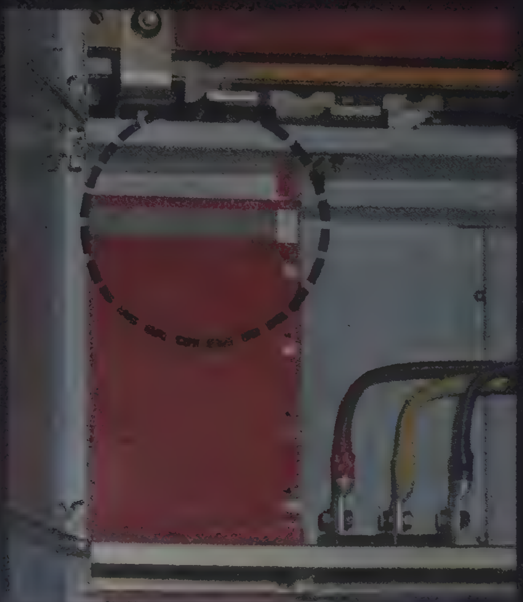
SIEMENS

A small shutter missing – and you could come in contact with 415 volts.

Would you risk anything short of Siemens quality?

The Siemens 8 PU Motor Control Centre is the only MCC with an automatic safety shutter. It drops the moment a module is removed, thus preventing the risk of contact with the live busbars behind. Safety features like this are a part of the quality built into every Siemens product.

Withdrawing a module from the 8 PU panel



The automatic safety shutter

In the crucial areas where Siemens products are used, the cost of imperfection is far too high. And not just in terms of money. What is at stake can be anything from a company's reputation to a human life. This is why the Siemens Quality Assurance System leaves absolutely no room for compromise. The system ensures that quality is built into the designing, manufacturing, testing and servicing of every Siemens product. Systematically documented manuals guide Siemens' employees in maintaining levels of excellence that far exceed the prescribed standards. So get the Siemens quality advantage on your side – it is your guarantee against regret.

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LINTAS SM 40 2741

STANDARD 2000

India's newest status symbol

By DILIP THAKORE

The world's smallest integrated motorcar manufacturing company has produced India's largest and most luxurious car ever.

Within the short period of nine months since the first Standard 2000 was sold, it has captured the imagination of the up-market citizens for whom it is patently designed.

Standard Motor's chief executive C.V. Karthik Narayanan with the Standard 2000

It doesn't quite live up to the high standard set in one of the most persuasive advertising headlines in the history of the automobiles industry. Unlike the manufacturers of the Rolls-Royce luxury saloon motorcar, the management of the Madras-based Standard Motor Products of India Ltd. (SMP — sales: Rs. 50.40 crores in the year ended 30th June 1985) readily admits that sounds louder than the ticking of the dashboard electric clock are likely to intrude upon the auditory sensitivities of the average passenger taking a ride in the company's new top-end of the market executive saloon car — the Standard 2000.

Nevertheless, the 668 Standard 2000 motorcars currently gliding along different types of road surfaces all over India are providing their fortunate passengers a combination of speed, elbow room and smoothness of ride which is likely to be dismissed by the uninitiated as being beyond the competence of the indigenous automobile industry. The four cylinder 2061 cc (*cf.* the Maruti-Suzuki's 796 cc) engine of the Standard 2000 has the muscle power to hurl the 4,698 mm (4.7 metres) long, 1,335kg five door all steel monocoque body motorcar at a top speed of 150 km per hour.

In addition, India's first luxury automobile offers other rare — in the Indian context — attributes such as power-assisted adjustable steering, front calliper disc brakes, a synchromesh gear box and electrically operated windows apart from sheer seating comfort which no other indigenously manufactured car remotely matches. Given indigenous road conditions, attaining the top speed of 150 kmph is a dangerous proposition at the best of times. Nevertheless, on a 360 km Bangalore-Mysore-Bangalore drive (a small stretch of it at the wheel) this writer — at speeds up to 120 kmph — experienced a smoothness of ride unmatched by any other indigenously manufactured or assembled automotive four-wheeler.

Within the short period of nine months since the first Standard 2000 was sold, the breathtakingly sleek motorcar has captured the imagination of the up-market citizens for whom it is patently designed. Vice president R. Venkataraman has ordered a modified version which is being given its final trial runs on the company's torture tracks in Madras, and his numerous preoccupations notwithstanding, Punjab chief minister Surjit Singh Barnala — among other politicians — is on the waiting list.

Yet, quintessentially the Standard 2000 — like the Austin Rover 2000 of which it is an adapted version — is an executive saloon designed for the top brass in the corporate sector. And the response of those within SMP's prime market segment for the company's new and most ambitious product to date has been far beyond its management's expectations. Among the first allotees: Naval Tata; J.S. Khambata (managing director of Glaxo India Ltd.); edible oils tycoon Kakubhai Tanna; N.P. Godrej and Pratap Bhogilal (chairman, Batliboi Pvt. Ltd.). On the waiting list are the chief executives and/or senior managers of almost all the blue chip companies in the private sector. "We are being deluged with orders for the Standard 2000. The large number of orders we have received has caught us totally unprepared and has forced us to accelerate our production programme," says C.V. Karthik Narayanan (48), the cheerfully informal vice chairman, managing director and chief executive of SMP.

COMFORTABLE RIDE

Though most of the purchaser-allottees of India's first luxury motorcar have received it too recently to be in a position to comment upon its performance (and N.P. Godrej and Pratap Bhogilal, who were among the first allottees ungraciously declined to comment), the initial reaction to the Standard 2000 is encouraging. "I am happy with the performance of the car which I am using. It provides a comfortable ride and the engine does not get over-heated — a common failure in other Indian cars — when it is driven over long distances," says B.G.N. Patel (60), the Bombay-based vice president (finance) of the well-known engineering company Larsen & Toubro.

A more authoritative endorsement of the on-the-road performance of India's most expensive (Rs. 2.15 lakhs in Madras) indigenously manufactured motorcar is provided by Nazir Hoosein (45), chairman of the Himalayan Rally Association which annually stages India's only internationally recognised motor rally. Perhaps more significantly, Hoosein is the proprietor of the Bombay-based Alfa Motor Co. — a firm which specialises in the preparation and development of motorcars for motoring rallies and competitions.

"No other Indian manufactured car can transport a passenger in comfort at a speed of 100 kmph or more or hold the road better. The Standard 2000 has a rugged and simple engine which is conducive to easy maintenance and is a successful adaptation of a truly contemporary world standard car for Indian conditions," says Hoosein.

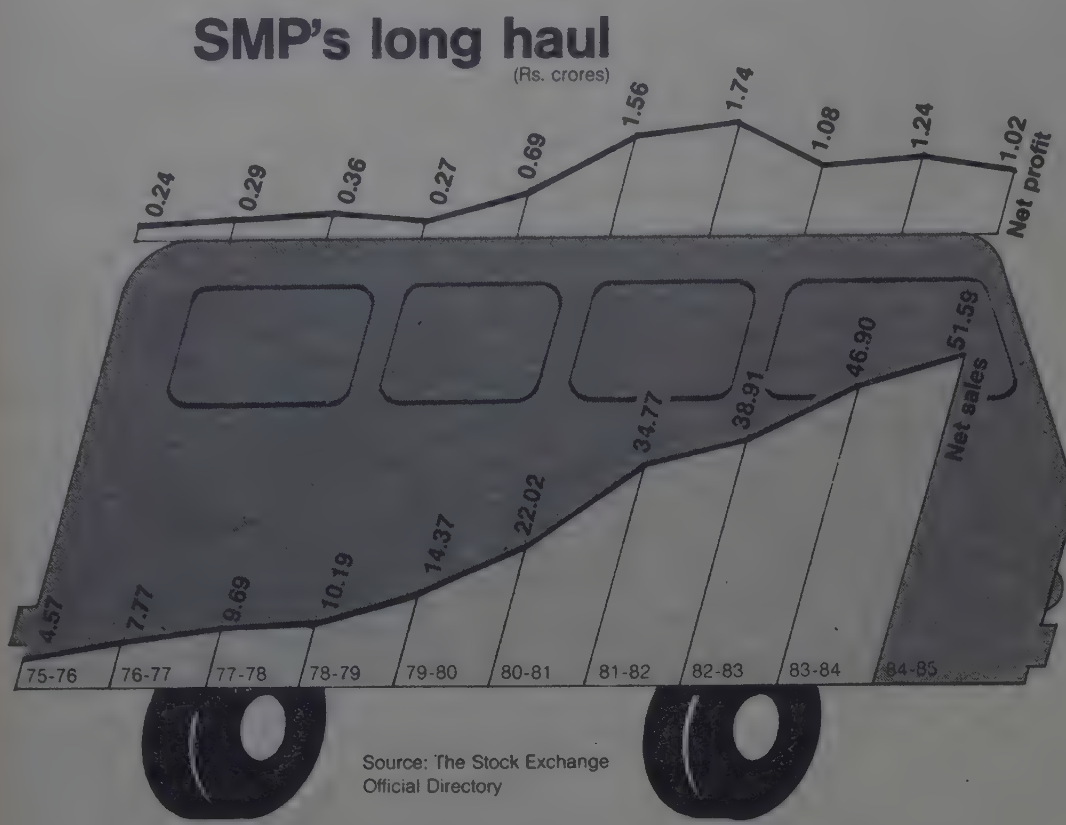
But though in general, market feedback on the on-the-road performance of India's first luxury motorcar has been positive, inevitably some complaints have also been received by the company's dealers and its management. Narayanan admits as much. "Some of the 600 cars that we initially put on the road have undoubtedly developed some hiccups mainly due to the less-than-satisfactory performance of bought-out components. In particular, the air-conditioning system and fuel efficiency of the car have received some criticism. While we propose to beat the air-conditioning problem by purchasing these systems as original equipment and fitting them into the car ourselves after thorough testing, the second complaint is a tougher proposition because driving conditions differ in various parts of the country," says Narayanan.

According to Narayanan, though the Standard 2000 has successfully passed the mandatory fuel consumption efficiency tests of the Union government and has obtained a certificate from the Automotive Research Association of India (ARAI) certifying that the motorcar is capable of yielding fuel efficiency of 15 km per litre in ideal conditions, this fuel efficiency is not possible in all conditions.

"The ARAI has certified that the Standard 2000 is capable of attaining fuel efficiency of 15 km per litre at a steady speed of 50 kmph on level roads with a payload of 450 kg. Unfortunately, it is very rare to approximate these conditions in the metropolitan cities. Driving

A sectional view of SMP's works near Madras: deluge of orders

BusinessWorld
August 4—17, 1986



SMP's long haul

(Rs. crores)

Source: The Stock Exchange Official Directory

conditions vary even from city to city. For example the fuel efficiency of the car even between Bangalore and Bombay differs. Nevertheless, since Bombay is a major market for the Standard 2000, we are working on improving fuel efficiency with specific reference to Bombay's driving conditions. We have identified the distributor and coil quality and engine tuning as the problem areas and have already changed them and will be especially tuning the engine for Bombay's conditions," says Narayanan.

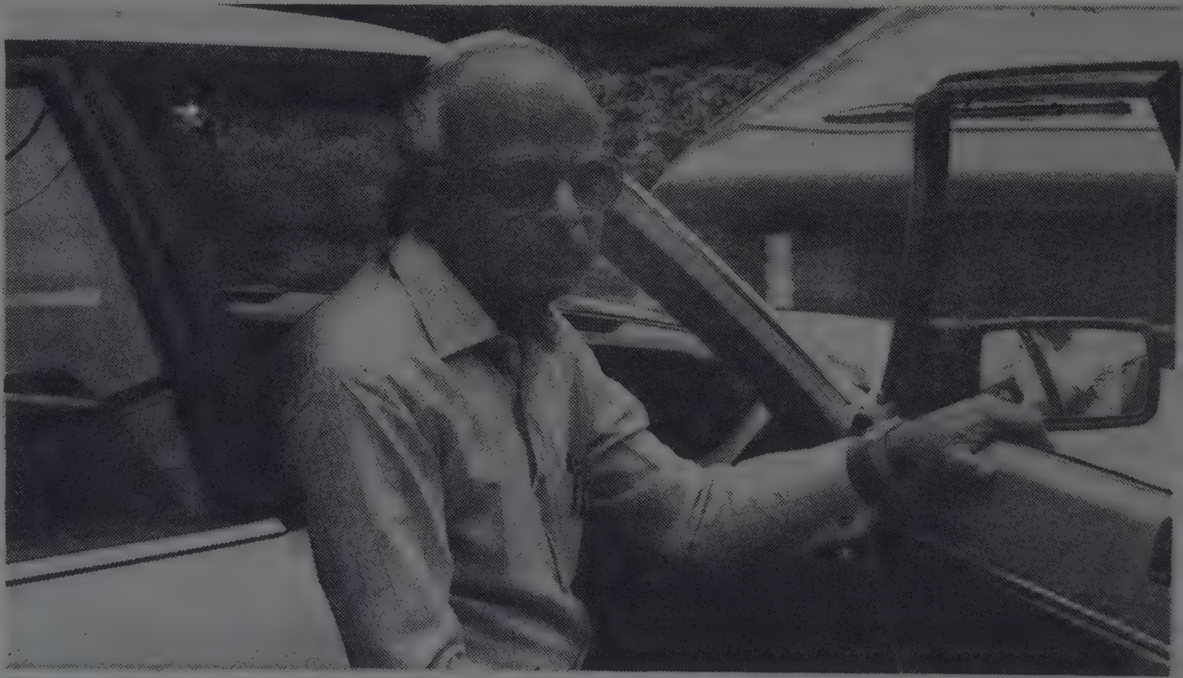
Yet, given that an up-market motorcar of world class such as the Standard 2000 was beyond the horizons of all but the most optimistic or prescient of imaginations in India, it is a minor miracle that the volume of complaints related to the car is so small. This particularly since the country's technologically most ambitious car has attained a 68% rate of indigenisation of components in its very first year. According to SMP spokesmen, only such ancillaries for which production facilities are non-existent in India are imported by the company.

INDIGENISATION LEVEL

The significance of this achievement of the low-profile SMP comes into focus when one takes into consideration that even now — almost three years after the first 796 cc Indo-Japanese Maruti rolled off the assembly line of the public sector Maruti Udyog Ltd. — the level of indigenisation in this wonder car does not exceed 40%. Indeed, by committing itself to attaining a 68% level of indigenisation in its very first year and committing itself to 97% in the third, the SMP management has changed the rules of the production game in the automotive industry.

According to monitors of this industry, it is hardly a coincidence that the Tata Engineering & Locomotive Co. (TELCO) which has signed a memorandum of intent with Honda Motors, Japan, to produce an Indian car has unilaterally revised its indigenisation commitment in the first year from 34% proposed earlier, to 55% recently.

"SMP has been in the automobile manufacturing business for over 30 years and though this is not well known, the company has travelled further down the road to ancillarisation than any other automotive four-wheeler manufacturer in India.



Swami: further down the ancillarisation road than any other manufacturer

Currently we have over 500 suppliers
components for our Standard-20 lig
commercial vehicles (LCV) and t
Standard 2000 located all over t
country, the majority of them in t
south especially around Madras whe
there is a strong concentration of high
skilled automotive component ma
ufacturers," says S.K. Swami (55), a
agriculture graduate of Madras Un
versity who signed up with SMP in 196
and is currently the company's gener
manager (materials). In this capacit
Swami supervises the vendor develop
ment and ancillarisation programmes o
the company.

But though Swami takes considerabl
and obvious pride in the fact that SMP ha
been able to purchase and/or man
ufacture in-house 68% of the compo
nents which when assembled togethe
constitute India's first executive car wit
world class aspirations, he also take
pains to emphasise that the "fastest indi
genisation programme of all cars" ha
not resulted in a compromise on quality

"SMP is a well established company and
the Standard 2000 is the country's most
expensive motorcar. Thus we have a
reputation to lose. This is why, though we are proud of the company's indigenisation record, we have ensured that our quality control checks are very tight and there is no compromise on quality. Thus while the engine of the Standard 2000 is substantially indigenous, critical components such as pistons and carburettors are imported as are the engine's electrical components. In addition, the polyurethane foam cushions for the seats, the panels, the glass and smaller plastic components which add up to make the 2000 an up-market car, are imported," says Swami, who believes that

the company's programme to indigenise 97% of the car within the next three years will give a "tremendous boost" to the growth of the indigenous automotive ancillaries industry.

Yet, if in the very first year since it undertook to manufacture the Standard 2000, SMP has committed the company to attain a 68% rate of indigenisation (though it is probable that not a few of its component suppliers have tied up foreign collaboration agreements), this indigenisation programme is built upon the solid manufacturing base which the company has built over the last three decades. Incorporated as a public limited company in 1948 in collaboration with the Standard Motor Co. Ltd., Coventry, UK, SMP rolled out its first indigenously manufactured car — the popular Standard-8 in 1955. This model was followed by the Standard-10 and the Standard-10 Super. Subsequently it produced the Standard Pennant (1959); the popular two-door Standard Herald (1960); the Standard Companion (1961) and the Standard Gazel (1970).

But the turning point for the company, which had been battered and bruised by the hostile attitude of the Union government — then riding high on a wave of Left-wing populism which prompted it to restrict car manufacturing capacities to ridiculously low levels and to impose price controls on the industry — came in 1973. In that year, just when the company's management had finalised its plans to diversify into the manufacture of LCVs, the OPEC cartel quadrupled the price of crude oil. Reacting very quickly. the company's managers developed a diesel engine for the company's LCV — the Standard-20.

INSTANT SUCCESS

The dieselised LCV was an instant success. Since then the company has sold over 45,000 Standard-20 LCVs and the vehicle has been the mainstay of the company. For example, in SMP's year ended 30th June 1985, against its installed capacity of 7,500 LCVs and passenger cars, the company manufactured 5,808 Standard-20 LCVs valued at Rs. 48 crores and only three passenger (Standard 2000) cars which were retained as prototypes by the company's research and development (R&D) department. In 1984-85, the company's aggregate sales turnover was Rs. 50.40 crores.

The success in the marketplace of the Standard-20, which has acquired a 20% share of the national market for LCVs, has ensured that SMP has remained well in the black for over a decade. And recently, as a consequence of the enunciation of the Union government's broad-banding industrial licensing policy — under which manufacturers of automotive four-wheelers are permitted to diversify into the manufacture of cars, LCVs or heavy commercial vehicles within their overall licenced capacities — the SMP management has commenced the manufacture of the Standard 2000.

PAINLESS DIVERSIFICATION

SMP, which has a licenced capacity of 15,140 vehicles per annum and has obtained a letter of intent to increase capacity to 27,500 vehicles per annum, certainly has plenty of room to expand its car manufacturing capacity. Moreover its managers are convinced that the company has the in-house skills to effect a painless diversification into motorcar manufacture.

"Over the last 30 years we have learnt the automobile manufacturing business the hard way. As a result we have a skilled workforce of over 3,000 employees, the overwhelming majority of whom have put in 15-20 years with SMP. Therefore we have the technical capability to deliver the Standard 2000. Just as in the mid-seventies we designed and developed the engine of the Standard-20, the engine of the Standard 2000 has been wholly designed and developed by us. Only the body panels and some peripherals are imported. And though a considerable percentage of our components are bought-out. the vital parts such as the engine and gear box are manufactured by us in-house and put through very rigorous quality checks," says T.N. Arumugam (49), a mathematics and mechanical engineering graduate of Madras University who joined the company as an engineering apprentice in 1961 and is currently the general manager (works) at SMP's factory located on a 55 acre site in Perungalathur, 33 km from Madras.

"Just as in the mid-seventies we designed and developed the engine of the Standard-20, the engine of the Standard 2000 has been wholly designed and developed by us"

T.N. ARUMUGAM

That SMP has the manufacturing base and expertise to deliver the most sophisticated car ever manufactured in this country, is also indicated by the company's small but effective R&D department. This department, which employs only 11 engineers and has a modest annual budget of Rs. 70 lakhs, nevertheless enjoys a very good reputation within the company and perhaps beyond the organisational boundary. It is well known that SMP vehicles — the Standard-20 LCV and the very popular (now discontinued) Standard Herald for example — invariably offered excellent engine performance even if the bodywork in SMP vehicles (as in any other indigenously manufactured car or LCV) has never been quite as good. Managers within the company credit the R&D department with developing the high performance engines which characterised — and continue to characterise — the company's vehicles.

For the Standard 2000 too, as stressed by Arumugam, the engine has been designed and developed in-house. "Let me concede right away that the vehicle that is the Standard 2000 has been designed by Austin Rover, UK. What we in SMP's R&D division have done is selected a model with appropriate ride characteristics and developed an engine, gear box and axle i.e. power train suitable for Indian conditions," says L. Srinivasamadhavan (49), a physics graduate of Madras University and the Madras Institute of Technology. Currently Srinivasamadhavan, who signed

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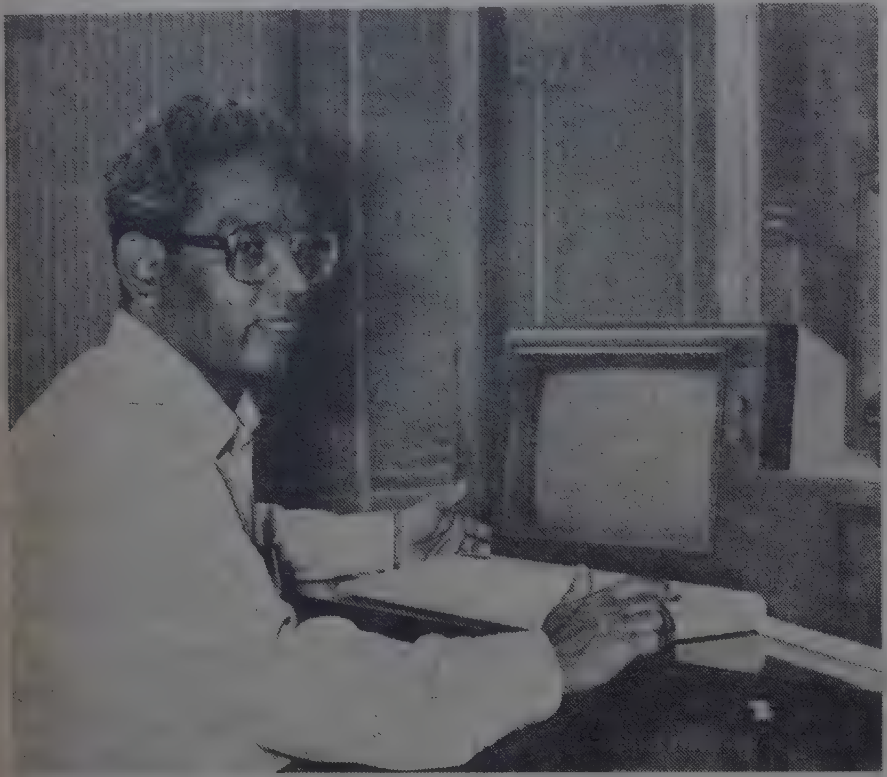

Srinivasamadhavan: technology breakthrough

Ramaswamy: sound financial health

up with the company in 1961 is designated the general manager (R&D) of the company.

SIGNIFICANT ROLE

According to Srinivasamadhavan, SMP's R&D division has played a significant role in the development of the new generation Standard 2000 despite the fact that its basic design is British. "The design and development of an engine which has a high torque at low engine speeds is a technological achievement which has never before been incorporated into an Indian manufactured car. In addition we have designed and developed a power train for the Standard 2000 which has not necessitated any changes to the body of the car designed by Austin Rover. And thirdly we have been able to develop an engine which offers fuel efficiency of 15 km per litre of petrol under test conditions with a payload of 450 kg. This is very difficult for a 2000 cc vehicle. The consequence is that in the Standard 2000 we have a world standard car in terms of engine performance, handling and fuel efficiency. The car represents a breakthrough for the Indian automobile industry," says Srinivasamadhavan.

One indicator of the extent to which SMP has consolidated its manufacturing base is indicated by the little known fact that a substantial proportion of the engine components and gear boxes of the statutorily licensed London taxis — among the world's most reliable vehicles — are supplied by the Madras-based company. In 1982, SMP purchased the plans and drawings to manufacture the 2520 cc diesel engine used in the standardised taxis permitted to ply in London, from Austin Rover.

"Currently, the engines of over 40,000 London taxis are outfitted with SMP components which constitute over 50% of these engines. Our components are purchased by Car Bodies Ltd., Coventry, and in the recently concluded year we sold engine components valued at £500,000 (Rs. 92.5 lakhs) to Car Bodies. And even more recently, we have begun to receive orders for entire engine and gear boxes from the Coventry-based company," says Karthik Narayanan, chief executive of SMP.

But though SMP's mastery of the technical aspects of the LCV and motorcar manufacturing business — particularly engine manufacturing technology — is undoubtedly proven, the volume of production in this perhaps the smallest of all integrated automobile companies in the world is so minuscule that its viability is a matter of amazement, if not mystery, to most industry analysts. Just how insignificant is the scale of SMP's production of 5,808 LCVS in 1984-85 can be grasped by the fact that the Honda Motor Co. — by no means the world's largest car manufacturing company — produces the equivalent of SMP's annual production in 36 working hours. And in an industry in which the economies of scale are believed to be vital for survival, even after the addition of the Standard 2000 to its product range, the company is unlikely to manufacture much more than its target of 6,000 vehicles in 1986-87.

MODEST PROFIT

Yet, surprisingly, SMP has been in the black since its year ended 30th June 1977 and on the dividend list since 1980-81. In 1984-85 after the company revalued its land and buildings, it also rewarded its 1,771 equity shareholders with a bonus issue in the proportion of one free share for every one held. In the year ended 30th June 1985, the company chalked up a modest net profit of Rs. 1.03 crores on a sales turnover of Rs. 50.40 crores. In the recently concluded year, given the shakeout in the LCV manufacturing industry, both sales and profit are likely to dip though the company's managers are confident that SMP will remain on the list of dividend paying companies. The company's equity share (Rs. 10 paid up) is currently (18th July) quoted at Rs. 29.50 on the Madras stock exchange.

"Your reservations about SMP's scale of production notwithstanding, the company is in sound financial health," says L. Ramaswamy (57), a physics graduate of Annamalai University and a chartered corporate secretary who joined SMP on 1st January 1950 and is the company's longest serving employee. Currently, Ramaswamy is the secretary of the company and its general manager (finance).

In support of his contention that the company is in sound financial health, Ramaswamy cites the net worth of the company: Rs. 12.19 crores *cf.* its capital of Rs. 2.81 crores which, in his opinion, is a ratio which indicates financial prudence. "In addition in the recently concluded year, our debt-equity ratio was a mere 0.5:1 as against the financial institutions' norm of 2:1. This means that we have a great capacity to borrow and expand operations. Despite this, we won't be borrowing in a big way this year though we intend manufacturing 3,000 units each of our LCVS and the Standard 2000. This is not to say that we don't borrow at all. We borrowed some of the Rs. 2.50 crores we spent on modernisation last year and we intend spending a similar sum for the same purpose this year. With the expansion of our product mix with the Standard 2000 which has received a good market response and the new price-effective LCV, I expect SMP's sales turnover to rise to Rs. 120 crores this year and net profit to fall in line with the car industry norm of 2.5%-3% of sales," says Ramaswamy.

EBBING TIDE

Significantly, Ramaswamy's optimism is shared by the company's marketing men who by definition are in closest touch with the all-important developments in the national marketplace. And happily for them, there are signs that the tide of the demand recession which has plagued the recently expanded number of LCV manufacturers in the country, leaving some newer companies in this sector stuck with 60%-70% unutilised capacities, is showing signs of ebbing. In particular, the company's managers attribute the slump in the demand for SMP's LCVS in the recently concluded year to the reluctance of several southern state governments, at the behest of their loss-making road transport corporations, to permit operators to ply LCVS in general as passenger vans. Unfortunately for SMP, 70% of its LCVS are converted into passenger vans.

However, this decision has been reconsidered and the prohibition relaxed, as a result of which the demand for LCVS and particularly for the Standard-20 which is almost Rs. 30,000 cheaper "and comparable in terms of performance" to the new generation of Japanese design LCVS manufactured *inter alia* by Allwyn Nissan, DCM-Toyota and Eicher Motors, is picking up. According to SMP managers the Standard-20 has carved out a 20% share of the national market for LCVS and an enviable 45% share of the market in south India.

"The LCV division has been a profit centre — indeed the sole profit centre — of the company for over 10 years ever since we introduced its diesel engine in 1975 and it will continue to remain profitable. We have already sold over 45,000 Standard-20 vehicles and each one is an advertisement for potential buyers. It is fairly well accepted in the marketplace that it is an LCV specifically engineered for Indian operational conditions, offers a price advantage and is easy to maintain and repair," says T.N. Ranganathan (58), a chemistry and business management graduate of Madras University who signed up with the company way back in 1951 and is currently the general manager (marketing) of SMP.

LCV market shares
(1984)

	Units	Market share (%)
Bajaj Tempo	12,906	39.50
Mahindra & Mahindra	11,515	35.25
Standard Motors	5,810	17.78
Premier Automobiles	416	1.27
Hindustan Motors	95	0.29
Others	1,929	5.91

Source: Association of India Automobile Manufacturers.

Nevertheless, Ranganathan admits that the production target of the Standard-20 for the current year (1986-87) has been slashed from the actual production of 3,200 vehicles in the company's year ended 30th June 1986 (production in 1984-85: 5,808 LCVS) to 3,000 in the current year. Though he says that this drastic scaling down of the production of LCVS has been prompted by the commencement of production of the Standard 2000, the demand recession and intense competition that LCV manufacturers are currently experiencing, is undoubtedly a contributory factor. And just as the introduction of the dieselised Standard-20 in 1975 and the positive response it received in the marketplace pulled SMP back from the brink in the aftermath of the OPEC fuel price explosion, hopes are being pinned on the Standard 2000 doing likewise at the current time when the company's LCV sales are sluggish.

Ranganathan certainly does not anticipate any difficulties in finding customers for the Standard 2000, notwithstanding its chastening Rs. 2.15 lakh (withou air-conditioning,on-the-road in Madras price tag. "Despite its power steering electric windows, central locking system adjustable and collapsible steering, comfortable interior and aerodynamic styling, the Standard 2000 is cheaper than any foreign car of comparable size and performance. One should also bear in mind that as much as Rs. 58,000 of the on-the-road price comprises excise, central and local sales tax paid to the Centra and state governments. I think the message that the Standard 2000 offers good value for money has got through to our market segment. This is why we have already received 8,000 orders and are continuing to receive 100 orders per month despite the delivery period being over two years," says Ranganathan with undisguised satisfaction.

LEAD TIME

Quite clearly there is sizeable latent demand for a comfortable executive saloon car at the top end of the automobile market and by whooshing in to meet this demand, SMP has gained a valuable lead time in which to establish a reputation for the Standard 2000. This lead time could prove beneficial because waiting in the wings for the Union government's signal to enter this market segment is the Tata Engineering & Locomotive Co. Ltd. (TELCO — sales: Rs. 914 crores in the year ended 31st March 1985), the country's largest manufacturer of heavy commercial vehicles and by common consensus the country's most respected automotive four-wheeler manufacturing company.

"Despite its power steering, electric windows, central locking system, adjustable and collapsible steering, comfortable interior and aerodynamic styling, the Standard 2000 is cheaper than any foreign car of comparable size"

T.N. RANGANATHAN

Moreover, TELCO's own formidable reputation notwithstanding, the com-

BusinessWorld
August 4—17, 1986

"The company's future is very bright"

Dilip Thakore interviewed C.V. Karthik Narayanan (48), managing director and chief executive of Standard Motor Products of India Ltd., in his office in the company's factory premises situated at Perungalathur, 33 km from Madras. Excerpts:

■ **The Standard 2000 has hit the national market for automobiles with a bang. What is the feedback you have received from the marketplace on the performance of the car?**
Some of the 600 cars that we initially put on the road have undoubtedly developed some hiccups mainly due to the less-than-satisfactory performance of bought-out components. In particular, the air-conditioning system and fuel efficiency of the car have received some criticism. While we propose to beat the air-conditioning problem by purchasing these systems as original equipment and fitting them into the car ourselves after thorough testing, the second complaint is a tougher proposition because driving conditions differ in various parts of the country.

The Automotive Research Association of India has certified that the Standard 2000 is capable of attaining fuel efficiency of 15 km per litre at a steady speed of 50 kmph on level roads with a payload of 450 kg. Unfortunately, it is very rare to approximate these conditions in the metropolitan cities. Driving conditions vary even from city to city. For example, the fuel efficiency of the car even between Bangalore and Bombay differs. Nevertheless, since Bombay is a major market for the Standard 2000, we are working on improving fuel efficiency with specific reference to Bombay's driving conditions.

■ **Nevertheless, by common consensus the volume of production of the Standard 2000 — 4000 cars per year at best — is too small to be economically viable. To what extent will the introduction of the Standard 2000 improve the operational performance of the company?**
Since November 1985, we have four major businesses — the manufacture of the Standard-20 LCV (light commercial vehicle), the Standard 2000 motorcar, manufacture of spares and the export of spares and components to Car Bodies Ltd., Coventry, a company which manufactures the famous London taxi cab. Of these businesses, the spare parts manufacturing business is the most profitable followed by exports, car and LCV manufacture in that order. It is the combination of these major businesses which has enabled Standard Motors to remain in the black. In this product range the Standard 2000 is the latest addition and though, if viewed in isolation, the volume of production of Standard 2000 is small, when added to existing activities the diversification will dramatically improve profitability by spreading overheads and increasing the volume of sales. In addition, larger amounts will be permitted to be set aside as investment allowance and depreciation which will facilitate the modernisation of the company's manufacturing facilities.

■ **In the 1986-87 budget, the excise duty on all motorcars was raised while at the same time MODVAT was introduced. What has been the impact of these changes in taxation law on the company?**
The budget provisions which imposed a higher excise duty on all automotive four-wheelers raised the prices of our LCVS by Rs. 6,000 and the Standard 2000 by Rs. 14,000. As against this, the introduction of MODVAT, which partially eliminates the necessity of companies paying excise on components on which excise has already been paid, resulted in a price benefit of Rs. 2,052 for the Standard 2000 and an average of Rs. 1,250 for our LCVS. So on the whole the net benefit to the company has been marginal.

In this connection it is also pertinent to note that the impact of the introduction of MODVAT on the motorcar industry has not been very substantial because tyres, tubes, glass, batteries and other chapter 10 components were available to the automotive industry net of excise even before the introduction of MODVAT. Now under the MODVAT provisions these components are invoiced to us and we get a rebate on the excise — though not on the sales tax — paid by component manufacturers. As a consequence, though the cascading effect has been reduced it has not been eliminated because of the complications of administering MODVAT.

■ **Looking ahead, what are the plans you have on the drawing board for the company and how optimistic are you about its future?**
With the introduction of the Standard 2000 into the company's product mix and the overwhelming market response to it, the company's future is very bright. As you are undoubtedly aware, one of the major problems confronting the company in the recent past has been the sluggish demand for LCVS. To a great extent this is because the Motor Vehicles Act forbids passenger vans with a seating capacity of more than 10 seats to ply without difficult-to-obtain route permits. This and several other provisions of the Act have been inimical to the growth of the LCV industry.

The latest information is that the Act is being amended to allow freer operations of LCVS of up to 6 tonnes capacity capable of seating up to 21-27 passengers. If this change in the law is effected, we are confident that within a short time we can engineer a 3-5 tonne vehicle which will be wholly indigenous and cheaper and will boost the company's bottomline significantly.

Though the market response to the Standard 2000 has been good, we are committed to constantly upgrading the vehicle. Right now, we are working on making the braking system more sophisticated, introducing rack and pinion steering and Macpherson's struts into the suspension. This will be an ongoing process and the 2000 will become a progressively better car as the country's ncillaries base becomes more sophisticated.

In addition, we have already started planning to introduce a medium sized car n the 1500-1800 cc range. I believe we have the capability to manufacture 0,000 such medium cars per year and depending on the shape and content of the government's new automobile policy which is expected to be announced soon, this car could be on the road by 1989. Licensing is no problem. We already have a licensed capacity of 27,500 and maybe 55,000 vehicles per annum if our nterpretation of the government's recent minimum capacity stipulations is correct.

■ **The Union government's licensing policy *vis-a-vis* the automobile manufacturing industry is somewhat confusing. In your opinion what should be the salient features of this policy?**

I'm not sure I agree with the statement that the government's licensing policy *vis-a-vis* the automobile manufacturing industry is confusing. Certainly the broadbanding concept is not confusing. But because of foreign exchange constraints that the Union government is experiencing and anticipating, it is looking at terms of technical collaboration and indigenisation more strictly. The government, quite rightly, wants to make sure that foreign collaborations result in the transfer of fuel-efficient contemporary technologies to automobile manufacturing companies in India.

In my opinion, the emphasis the government is placing on indigenisation is appropriate. However, the automobile policy should allow each automobile manufacturing company a monetary sum or quantum within which ceiling each company would be allowed to import such components as its management thinks necessary to manufacture a contemporary car. Such a policy would permit managements a certain flexibility in importing components according to the needs of each company.

I think the Union government should become reconciled to the reality that some imports are inevitable. Even from the government's point of view, it would make more sense to set a monetary limit for imports for each company so that an outflow of foreign exchange beyond budgeted magnitudes is not incurred. Otherwise the current policies relating to foreign collaborations for the automotive industry cover the entire gamut of operations and is satisfactory.

pany has signed a memorandum with the even more formidable Honda Motor Co., Japan (sales: Rs. 19,338 crores in the year ended 28th February 1986), to jointly manufacture an Indian version of the Honda Accord 2000 at the rate of 30,000 vehicles per annum. Unless SMP managers utilise the lead time they have gained to win a reputation in the marketplace for the Standard 2000, they could find themselves swept aside by the formidable TELCO-Honda Accord 2000 version.

This is perhaps one reason why SMP managers, despite the raising of the company's production capacity to 27,500 vehicles per annum, don't visualise the manufacture of more than 4,000 Standard 2000 cars per year. Quite clearly, the manufacture of the Standard 2000 is part of a strategy to broaden the company's product mix and lower overhead costs per unit by utilising installed capacities more fully. This strategy is likely to be persisted with even as the company which has the in-built advantage of low capital costs expands its manufacturing capacity in a phased manner without driving up its interest burden too sharply. And to further widen SMP's product mix and utilise the additional capacities created, the company's management has already initiated a planning exercise which is likely to result in the manufacture of a medium-sized 1500-1800 cc motorcar in the near future, says chief executive Karthik Narayanan (see interview).

MODEST TARGET

In the meanwhile, the swiftness with which SMP managers have put the Standard 2000 on the Indian roads is likely to impart a tremendous growth momentum to the company. For the current year (ending 30th June 1987), the company's management has set itself a modest target of manufacturing 3,000 units each of the Standard-20 and the Standard 2000, an easily attainable production target which will spurt SMP's sales turnover to over Rs. 120 crores. And given the better margins that the company will earn on the Standard 2000, net profit is likely to rise to at least 2% of sales, i.e. to Rs. 2.40 crores or by 200% over 1985-86.

"The traditional argument — that because of our relatively low volume of production SMP is doomed to failure — is not sustainable. Because of our low capital costs and phased modernisation programme, this company has the in-built ability to break even at very low volumes of production. For example, we have created the capacity to manufacture 3,000 Standard 2000 cars with an additional investment of only Rs. 10 crores.

"Because of our low capital costs and phased modernisation programme, this company has the in-built ability to break even at very low volumes of production"

R. RAVINDRAN

A newly promoted company would incur a capital cost of at least 10 times as much. This is the big advantage we enjoy as an old established company operating in a narrow market. And this advantage has been consolidated by our choice of product. The drawings and technology for the manufacture of the Standard 2000 were obtained very cheaply from Austin Rover — for just Rs. 50 lakhs. And now that Austin Rover has phased out its SD-1 body design series with the introduction of its Rover 800 in collaboration with Honda, we expect to purchase the body panel tooling very cheaply as well," says R. Ravindran (42), a mechanical engineering graduate of Madras University who served with the Mahindra & Mahindra group (1967-79), International Instruments Bangalore (1979-82) and Automotive Axles, Bangalore (1982-84) before signing up with SMP in 1984. Currently Ravindran is the general manager (corporate planning) of the company.

Not surprisingly, Ravindran is extremely bullish about the future of the company. "We have suffered a minor

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setback in the recently concluded year because of the downswing in LCV sales in 1985-86. Though we had correctly anticipated this and had planned to introduce the Standard 2000 to take up the slack, there was a bit of a time lag in introducing the car into the marketplace because we wanted to be absolutely sure of its quality and performance. However, in the current year the Standard 2000 is likely to make a very significant difference to SMP's bottomline and when we attain the production level of 4,000 LCVS and motorcars — as we plan to do in 1987-88 — we will be sitting on velvet," predicts Ravindran.

BRIGHT FUTURE

Karthik Narayanan, chief executive of the company who by common consensus, is the architect of, and inspiration behind, SMP's speedy diversification into the manufacture of the Standard 2000 — India's latest status symbol — is no less optimistic. "With the introduction of the Standard 2000 into SMP's product mix and the overwhelming market response to it, the company's future is very bright. As you are undoubtedly aware, one of the major problems confronting SMP in the recent past has been the sluggish demand for LCVS. To a great extent this is because the Motor Vehicles Act forbids passenger vans with a seating capacity of more than 10 seats to ply without difficult-to-obtain route permits. This and several other provisions of the Act have been inimical to the growth of the LCV industry. The latest information is that the Act is being amended to allow freer operations of LCVS of up to 6 tonnes capacity capable of seating up to 21-27 passengers. If this change in the law is effected, we are confident that within a short time we can engineer a 3-5 tonne vehicle which will be wholly indigenous and cheaper and will boost the company's bottomline significantly," says Narayanan.

With the Standard 2000 already on the Indian roads and receiving covetous looks all over the country, SMP's motorcar manufacturing division is also sliding smoothly into top gear. "Though the market response to the Standard 2000 has been good, we are committed to constantly upgrading the vehicle. Right now, we are working on making the braking system more sophisticated, introducing rack and pinion steering and Macpherson's struts into the suspension. This will be an on-going process and the 2000 will become a progressively better car as the country's ancillaries base becomes more sophisticated. In addition we have already started planning to introduce a medium sized car in the 1500-1800 cc range. I believe we have the capability to manufacture 10,000 such medium cars per year and depending on the shape and content of the government's new automobile policy which is expected to be announced soon, this car could be on the road by 1989. Licensing is no problem. We already have a licenced capacity of 27,500 and maybe 55,000 vehicles per annum if our interpretation of the government's recent minimum capacity stipulations is correct," says Narayanan.

Quite obviously energised by the enthusiastic market response to India's first and thus far only truly up-market car, the world's smallest integrated automobile company is not only defying conventional logic relating to the economies of scale in the automobile manufacturing business, but is also giving its small band of shareholders plenty to cheer about. ▣

How Standard Motors compares

	Year ending	Net sales (Rs. crores)	Net Profit (Rs. crores)	Gross block (Rs. crores)	Total liabilities/ net worth (%)
TELCO	31.3.85	914.04	23.13	528.19	235
Hindustan Motors Ltd.	31.3.85	312.88	17.00	210.30	123
Ashok Leyland Ltd.	31.12.84	281.86	5.86	200.10	144
Bajaj Auto Ltd.	30.6.85	264.87	29.07	138.83	203
The Premier Automobiles Ltd.	30.6.85	214.23	10.06	197.23	179
Standard Motor Products of India Ltd.	**30.6.85**	**51.59**	**1.02**	**25.52**	**306**

Source: The Stock Exchange Official Directory

SMP's Austin Rover link

The Madras-based Standard Motor Products of India Ltd. (SMP) has maintained close links with the British automobile manufacturing industry ever since it was promoted by K. Gopalakrishna in 1948. The Indian company's first collaboration agreement was signed with the Standard Motor Co. Ltd., Coventry, UK, when SMP commenced assembling the Vanguard car.

With the decline and subsequent reorganisation of the British car industry through a series of mergers culminating in the nationalisation of a significant part of the British automobile industry, SMP developed close links with the Austin Rover Group plc, currently a wholly-owned subsidiary of the nationalised BL Ltd. (formerly British Leyland).

SMP's Standard 2000 is an adapted version of Austin Rover's luxury saloon car, the SD-1 which is currently in the process of being phased out and replaced by the up-market Rover 800.

Last chance. According to Kenneth Gooding, writing in the *Financial Times* (10th July), the Rover 800 series is Austin Rover's last chance to establish itself in the British and world automobile industry, after the company was pulled back from the verge of bankruptcy in 1980. At that time, the injection of a massive £1 billion (Rs. 1,850 crores) by the British government enabled Austin Rover's entire range of cars to be revamped.

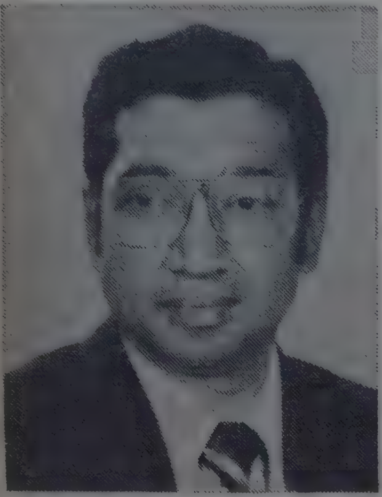
Since then, over the last six years, Austin Rover has acquired a 19% share of the UK car market largely because of a strong nationalist sentiment in Britain in favour of keeping the British car industry alive. But thus far its record, particularly in designing the engines of its several models has not been particularly inspiring. In particular, the Rover SD-1 — of which the Standard 2000 is a modified version — has earned the reputation of being "notoriously unreliable."

Which is perhaps why SMP engineers, who over the years have acquired a good reputation for manufacturing automotive engines for Indian conditions, have virtually redesigned and developed *de novo* the engine which has been incorporated into the Standard 2000, though the body and design of the car is a faithful replica of the SD-1.

BusinessWorld
August 4—17, 1986

Marketing fashions

WALTER E. VIEIRA



There are fashion cycles in marketing management in the same way as there are in the business of *haute couture*. In the fashion business, a designer of some eminence such as Cardin or Chanel introduces a new range or line of clothing. The social elite is usually the first to sport it. Subsequently, the fashion filters through the various strata of society and across geographic boundaries until, over a period of time, that line of clothing is no longer fashionable. By the time a particular fashion is adopted across a nation or internationally, another designer usually introduces another fashion and the pattern is followed all over again.

In the marketplace too there are some 'fashions' that come into vogue from time to time. Most of us are likely to remember the time when avant-garde hair cutting saloons advertised the legend 'scientific hair cutting—use of electrical equipment,' on the signboards outside their saloons. Similarly 'electric dry cleaners' were very fashionable at one time. The word 'electric' was expected to conjure up images in the consumer's mind that the hair cutting saloon or the laundry or any other business similarly endowed, was offering state-of-the-art technology in its respective field. Nor is 'electric' an entirely unfashionable word today. It is still being used to promote typewriters, although very weakly, because electronic typewriters followed too soon after, and electric typewriter marketers have therefore not had the time to flex their marketing muscle.

MARKETERS' BUZZWORD

At another stage in the marketing cycle, 'foreign collaboration' which projected images of superior technology to generate greater confidence in the prospective customer or the prospective shareholder was a marketers' buzzword. Soon, a growing number of people were using a prefix or a suffix touting products of Indo-British, Indo-American or Indo-German collaboration.

Then there was a time when it was very fashionable to talk about indigenisation of technology to save the country 'precious foreign exchange.' Indeed, since then 'precious foreign exchange' has become a cliche which pops up with monotonous regularity everywhere—in chairmen's speeches, newspaper advertisements and news reports. So much so that the phrase has begun to lose impact even if justifiably used. Too many people who could at best lay a claim to have saved only Rs.10,000 per year are shouting themselves hoarse about having rescued the country from total economic ruin by conserving 'precious foreign exchange.' And consequently too many people have become deaf to the claim and refuse to listen.

Another relatively recent marketing buzzword—already on its way out—is 'Japanese technology.' The tremendous economic progress made by Japan, which has emerged as a worl economic power; the flooding of the market with books o the art of Japanese management and the not-so-subtl advertising for Japanese products, even when they are no officially available in India, are factors that have helpe marketers to a considerable extent.

Consequently, we now have cameras advertised which ar manufactured with Japanese technology; cement manufactured with Japanese technology; wrist watches by Seiko-Allwyn, and scooters, cars and vans manufactured wit Japanese expertise. There are cooking ranges which are th by-product of Japanese technology and of course, colou television in many brands with technology imported fro different Japanese corporations.

The use of the term 'professionally managed' is another contemporary fashion—and its use is not necessarily related to marketing men alone. The implication is that 'professionally managed' companies operate with total objectivity, reducing all subjective judgement to the minimum; that they are manned by highly qualified personnel; that they are totally result-oriented, providing opportunites for definite and perhaps fast career growth to those who perform, irrespective of other considerations. The phrase is also pregnant with the implication that the company is not family-owned, where a patriarch rules according to his whims and fancies which are compounded by severe limitation of knowledge; that all who work there, from the chairman downwards are paid executives/non-owners of the corporation, whose primary loyalties are to their assignments, rather than to lining their own pockets.

Consequently, every company uses the term 'professionally managed' whether advertising a public issue of shares and debentures, or advertising for personnel, or while making loan applications to financial institutions. Yet the down-on-the-ground reality is that even widely held companies are often run like personal empires of paid executives while some closely held companies are run with high objectivity and commitment. Consequently, the term 'professionally managed' is beginning to mean different things to different people. Nevertheless, it is fashionable to use the term

COMPUTER AGE

With the belated dawning of the computer age in India, the latest in marketing fashions is to promote or advertise with some reference to computers. Thus there is the (JK) car tyre which claims to be produced with the use of computer controls which imbues it with a superior quality while photo prints are advertised as being processed through computerisation. Billings are computerised in 5-star hotels, in some of which—such as the Hyatt Regency, New Delhi—even the lifts are claimed to be operated with a computerised system.

Likewise, in 5-star hospitals and diagnostic centres, great emphasis is laid on providing computerised medical gadgetry and even petrol pumps and service stations in Bombay beckon to car owners with offers of computerised wheel alignment, which will 'add life' to tyres. In the same vein, the country's largest paint company (Asian Paints) says that its colour shade matching is done by computers and is therefore accurate: "When you run out of a quantity of Asian Paint and then need a little extra,you can be sure that the next tin will have an identical colour shade."

What will be the next marketing fashion? It's difficult to say. Some innovative marketing mind will think up something new, and like a Pierre Cardin fashion, blaze a fresh trial which others will then be quick to follow—until the innovation becomes a routine practice and a new marketing fashion cycle must be started all over again.

BusinessWorld
August 4—17, 1986

Striking correlations

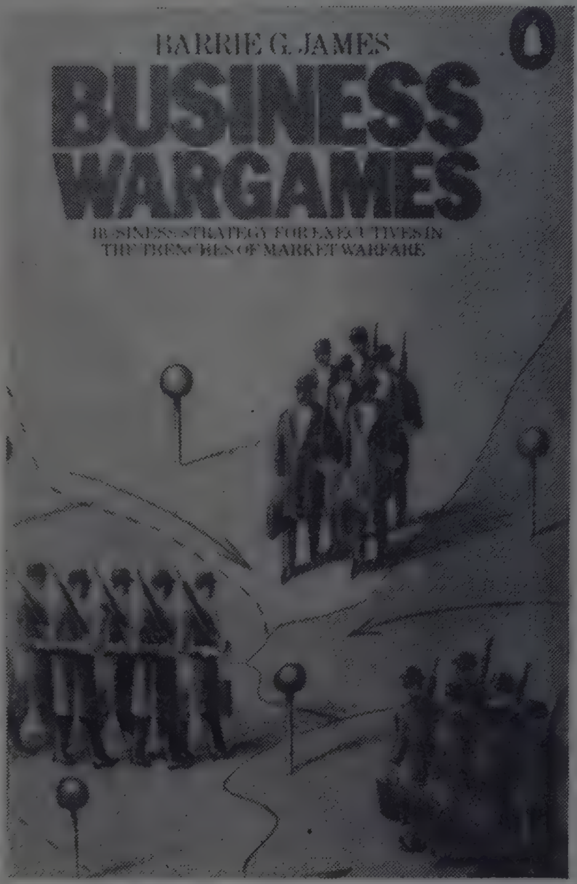
BUSINESS WARGAMES
By Barrie G. James
Publishers: Penguin Books, pp.235, price Rs. 71.40.

The notion that war as a game is older than chess, and the fact that business is much the same, received explicit theoretical treatment in Von Neumann and Morgenstern's *Theory of Games and Economic Behaviour*. What then makes Barrie James' *Business Wargames (Business Strategy for Executives in the Trenches of Market Warfare)* refreshingly readable? The answer: the book is a veritable storehouse of business lore that will enlighten the neophyte and titillate the imagination of the connoisseur. Each strategy and sub-strategy is elucidated with the help of interesting real life examples of prominent companies at war.

The reader is adequately cautioned by the author that business strategies cannot be considered as ends in themselves. The market is a battleground and is ruled by a fundamental maxim: "If you don't fight you can't win, and if you can't win, you lose." According to James, business strategy will assume greater significance in the eighties when growth and disinflation will be concomitants and the opportunities for effecting cost reductions will be few. In such a business environment, outmanoeuvring the opponent will be the key to a meaningful market share improvement. Thus "the endgame for companies in the future is survival and under current market conditions the game plan for survival is conflict-oriented policies which are based on military strategies," predicts the author.

The explicit aim of the book is to provide executives "with a wide range of strategic manoeuvres using the principles of military strategy and to encourage creativity in strategy selection to break out of the inflexible, institutional and analytical approaches to strategy." The book is not preachy in any sense of the word, but there is a fairly strong condemnation of "the belief that the executive can plan, model and simulate his way to victory rather than fight it out in the marketplace" and of the use of "oversimplified formulae in complex situations." Strategies will only be useful if there is a correct understanding of the true nature of conflict, warns the author. To this end "it is the practical hands-on experience of an individual able to make the right decision at the right place and the right time" which will be the ultimate determinant of success.

One of the most interesting sections of the book under review is the one that offers a peek into the savage world of advertising 'campaigns,' 'battles' for market shares and the promotional 'blitzes.' Schumpeter's captain of industry can learn quite a lot from a captain of the army.


BARRIE G. JAMES
BUSINESS WARGAMES
BUSINESS STRATEGY FOR EXECUTIVES IN THE TRENCHES OF MARKET WARFARE

In the Yom Kippur war in 1973, Israel used electronic counter-measure equipment to neutralise, and 'smart' bombs to destroy Egyptian surface-to-air missiles which could have prevented Israel from asserting its superiority in the air. Many years ago, the Xerox Corporation entered the market for mainframe computers which was very much the duchy of IBM. IBM retaliated by launching a rival photocopier to compete with Xerox's most popular copier at a lower price. Xerox had been using the profits of its copier division to fund its attack on IBM and the latter's lightning strike threatened to neutralise Xerox's main source of income. After taking a beating for a few years, Xerox backed out of the mainframe market, adequately chastised. This is but one of the examples used to illustrate the efficacy of counter-strategy in war and business. The end goals may be different but the *modus operandi* is strikingly similar.

GAUGING INTENTIONS

Market conflict also has its psychological and emotional components as "intentions are a state of the mind and can only be gauged subjectively." Hitler gambled that the British and the French would remain passive when he invaded the Sudetenland. Likewise, Cheseborough Ponds felt that Gillette would not react violently to its introduction in the seventies of Rave in the market for home permanents as the product was of little importance to Gillette. By 1980 a $40 million market had burgeoned into a $100 million market, and Gillette's product Toni had been vanquished from its position as market leader.

The book also chronicles why Sony's Betamax video taperecorder failed in the marketplace when faced with Matsushita's own VHS system; how Casio drove Citizen and Seiko into the mid-price range of the electronic quartz watches market; how Hoffman la Roche dominates many drug markets; how Murjani cashed in with his introduction of Vanderbilt jeans; why Bang & Olafsen has earned its exclusive reputation in the field of hi-fidelity sound equipment, the secret behind the success of Bailey's Irish Cream and many other juicy case histories.

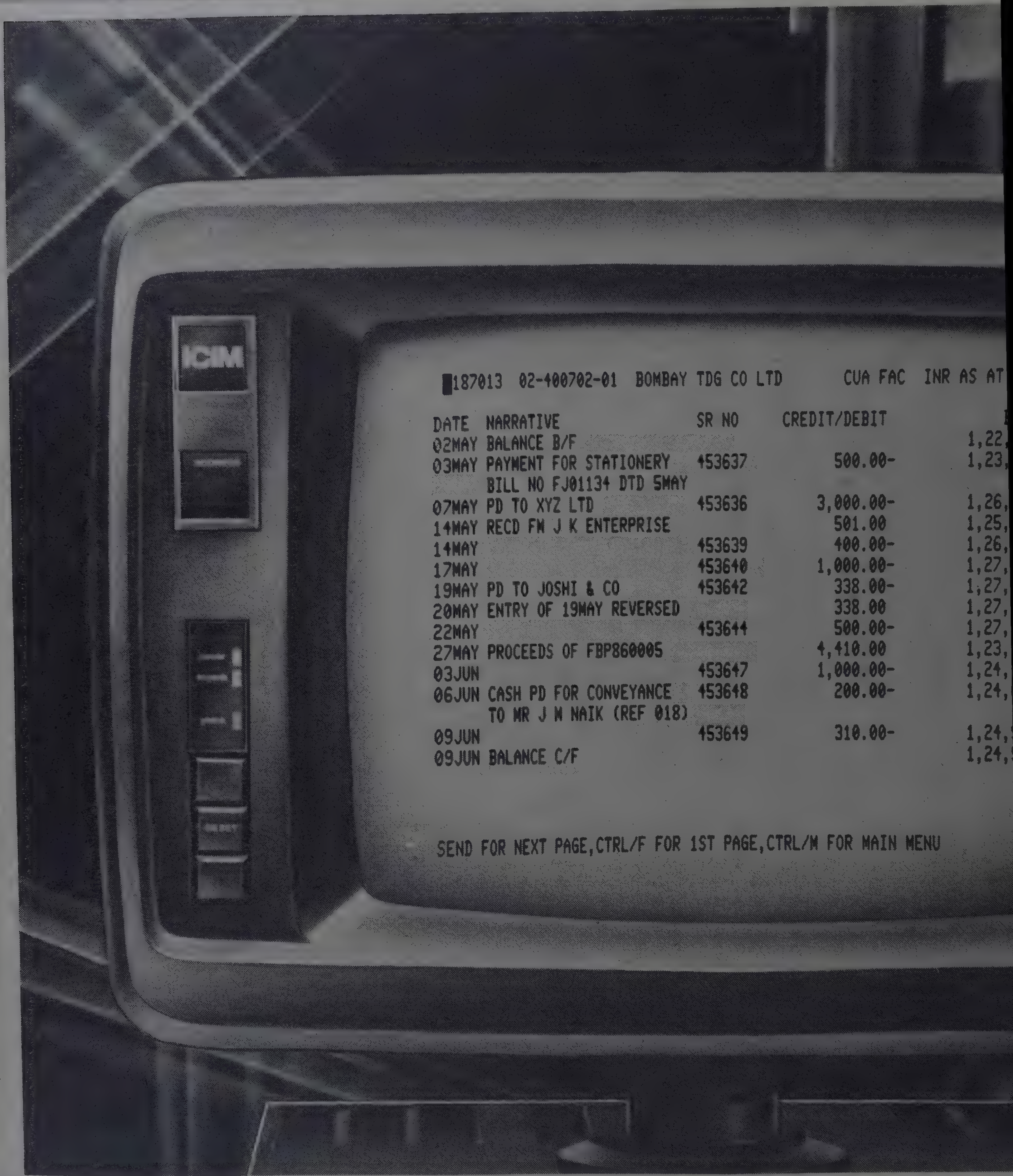
The application of wartime strategies to inter-firm conflict and spicy case histories apart, James makes a strong case for delinking executive compensation and incentives from profit on the grounds that this breeds a mentality which may lead to tactical successes in individual battles but in the long run does not win wars. Two penetrating observations made in this book are: (i) the modern executive is reduced to the status of a mercenary in the job market and this deprives the workplace of a degree of professionalism and (ii) the closer one is to the heat of the battle, the greater is the need for leadership than for mere managerial skills.

REAL WORTH

The greatest drawback of this book is that it lacks a comprehensive section on mergers and acquisitions — it skirts this meaty issue by merely citing the hackneyed Bendix-Martin Marietta case. Those interested, however, can explore this fascinating field through Kenneth Davidson's *Mega Mergers*. The real worth of *Business Wargames* is that it translates dry theoretical structural models into real world flesh and blood situations highlighting the striking correlations between military and business strategies.

The backdrop of history serves to reinforce the old adage that those who do not study the pitfalls of history are condemned to committing the same errors.

Zubin Taraporevala



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DATE  NARRATIVE                SR NO     CREDIT/DEBIT
02MAY BALANCE B/F                                          1,22,
03MAY PAYMENT FOR STATIONERY   453637        500.00-       1,23,
      BILL NO FJ01134 DTD 5MAY
07MAY PD TO XYZ LTD            453636      3,000.00-       1,26,
14MAY RECD FM J K ENTERPRISE                 501.00        1,25,
14MAY                          453639        400.00-       1,26,
17MAY                          453640      1,000.00-       1,27,
19MAY PD TO JOSHI & CO         453642        338.00-       1,27,
20MAY ENTRY OF 19MAY REVERSED                338.00        1,27,
22MAY                          453644        500.00-       1,27,
27MAY PROCEEDS OF FBP860005                4,410.00        1,23,
03JUN                          453647      1,000.00-       1,24,
06JUN CASH PD FOR CONVEYANCE   453648        200.00-       1,24,
      TO MR J M NAIK (REF 018)
09JUN                          453649        310.00-       1,24,
09JUN BALANCE C/F                                          1,24,


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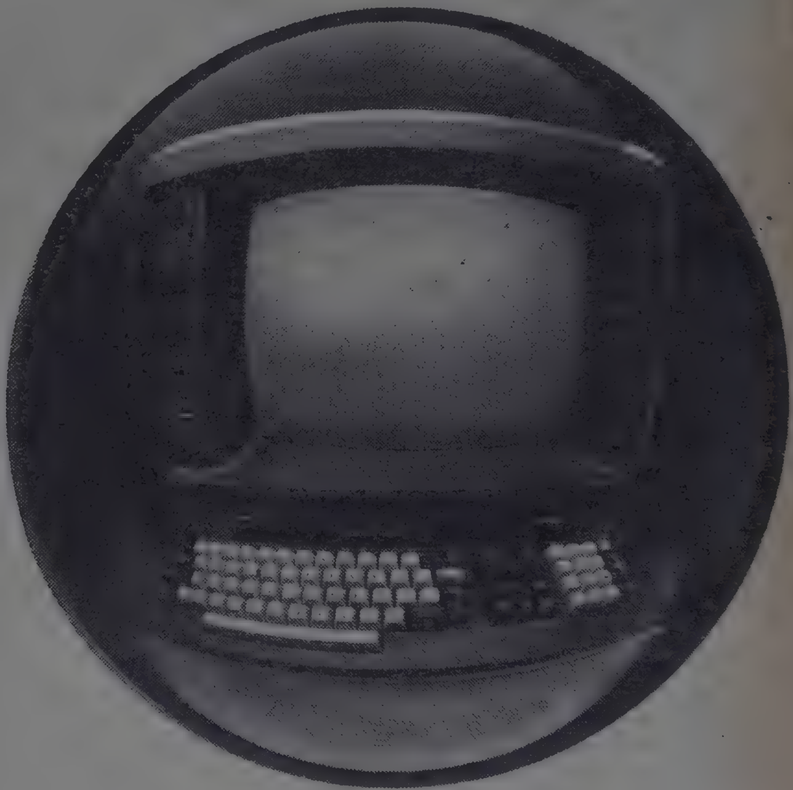

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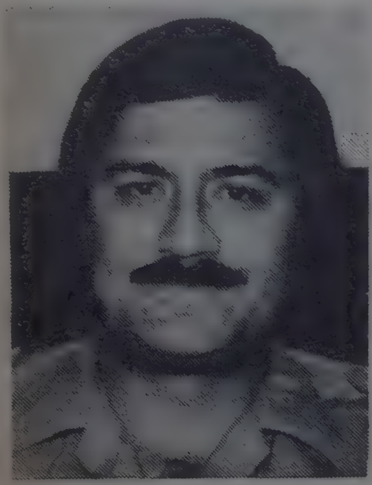
Madras Visakhapatnam

Merchant Banking Division
Bombay Calcutta New Delhi Madras
The British Bank of the Middle East Bombay

BusinessWorld
August 4—17, 1986

Products & processes

RANJIT HIRA



A telecommunications revolution is sought to be ushered into this country by the Union government. Similar technological progress can also be made in the area of internal communications within an organisation. However, the technology in this area is changing very rapidly, in the developed countries also. Existing intercom systems and photocopiers are already becoming obsolete and are being replaced by a whole new generation of communication devices.

There is no reason why Indian telecom equipment manufacturers cannot take a quantum leap and forge technical tie-ups with companies at the leading edges of these technologies. A classic example of the new communication devices available today is that of a Finnish company which has developed a state-of-the-art intercom system.

ADVANCED INTERCOM SYSTEM

Slocon Oy, Finland has perfected one of the most advanced electronic internal communication systems in the world. The SLO-1000 multi-communication system utilises visual information displays to increase the effectiveness of internal communications in organisations. If you can't reach the person you want to talk to, you can find out when he will be back, where he may be reached, whether he has an important call right now and should not be disturbed, etc. You can break off contact by just pushing a button but at the same time you can leave your own number and a request for the person to call you back. This saves you repeated fruitless attempts at contacting a person.

When he returns or unlocks his desk unit, he will see at once who has been trying to reach him. He can now return calls in the same order they were made or select callers in his own order of priority. When you are leaving a message you can specify the reason you are not available. You can even enter the exact time when you expect to be back at your desk.

Other features of the SLO-1000 system are group and collective calls with the provision of calling back, emergency calls with priority, free call number dialling, the correct time, occasional or daily alarm signals, call forwarding, a 'follow-me' function, long distance data input, programme transmission, etc.

THE DESKTOP PRINTSHOP

Cordata, a US-based company, has introduced the Desktop Printshop, a laser printer which according to the manufacturer is suitable for use with IBM and IBM compatible personal computers. This new advanced printer can make memos, reports and correspondence look like they were designed by a graphic artist and produced by a professional typesetter. The printer is quick, silent and cost-effective.

CREATIVE COLOUR COPIER

Omnicrom System Ltd., UK, claims to have perfected a simple-to-use desktop machine, Omnicrom 2000 which transforms black and white photocopies into virtually any colour or combination of colours. The Omnicrom 2000 uses special colour paper which is available in a selection of 35 shades including metallic hues. The photocopy is placed between a sheet of the colour paper and its backing sheet and then passed through the photocopying machine. The heat and pressure process transforms a black and white photocopy into vivid colour.

This process can provide advertising visualisers and others with a low-cost, time-saving means of producing colour samples and permits small quantities to be produced without the expense of conventional colour printing.

FLAW-FINDER SPRAY

The Delta division of the Magna Industrial Co. Ltd., Hong Kong, has commenced marketing an advanced, yet simple-to-use aerosol system — Delta 97A and 97B — designed to detect and locate cracks, fissures, microscopic flaws and structural defects in ferrous and non-ferrous materials. Unlike the electrospectrometers currently in use, the Delta 97 Crack Spotter kit needs no special skill or equipment to use.

Delta 97A is the first part of this two part aerosol system and contains an active hydrostatic penetrant which migrates into microscopic irregularities in surfaces on which it is applied. Any excess is then washed off and the part left to stand for about five minutes. Delta 97B is then sprayed on and within seconds will highlight and reveal any surface flaw.

GEOTHERMAL ENERGY

Geothermal Energy New Zealand Ltd. (GENZL), New Zealand, is a pioneer in the field of tapping geothermal energy from under the earth's surface. This company has played a leading role in the development of Africa's first and only geothermal power plant at Olkaria in Kenya. Its investigation of Indonesia's geothermal resources and the subsequent construction of the 30 Mw geothermal power plant at Kamojang, has given that country new energy sources.

Kenya and Indonesia are only two out of the 20 countries in which GENZL has performed. The company has earned a reputation for developing new technologies to meet the demands of the varied environments in which it operates. The company is constantly expanding the frontiers of geothermal energy technology with its work in aerated drilling, casing design, brine treatment, reinjection techniques and mini-turbines.

RAZOR RIBBON BARBED TAPE

American Security Fence Corporation, USA, has developed an advanced substitute for traditional barbed wire fences. Branded Razor Ribbon, it consists of four-pronged razor sharp barbs cold-clenched around a high-tensile steel core wire adding extra strength and ensuring that it will not collapse. It is fixed in concertina shaped single or double coils at the top or bottom of a fence or wall. The double coil is designed for absolute maximum security and is manufactured in strict accordance to US military specifications.

Enquiries: Applied Technologies,
C/o BusinessWorld, 145 Atlanta,
209 Ceremonial Boulevard,
Nariman Point, Bombay-400 021.

Businessman's guide to Singapore

Over the years, Singapore, whose main attraction for Indians has been that it is a shopper's paradise, has been growing in importance as a business partner with India. In 1984 total trade between India and Singapore was valued at S$1.88 billion (Rs 1,090 crores), 48% of which was accounted for by the petroleum industry. In the same year, the export of non-oil based goods by Singapore to India was valued at S$619 million (Rs. 359 crores), while non-oil imports from India consisting mainly of marine products, coffee, tea, spices and textiles were valued at S$365 million (Rs. 212 crores). In 1985, the total trade between the two countries was reduced to the value of S$1.56 billion due to India's increasing self-sufficiency in oil, but the value of non-oil exports to India increased by 13% to S$699 million. To redress this adverse balance of trade, Indian businessmen are being encouraged to promote the export of goods and services to Singapore in a bigger way.

Moreover, Singapore frequently plays host to a large number of companies and associations which organise trade fairs and international conferences. Last year, Singapore was the venue of 390 meetings and 58 exhibitions, and 730 incentive travel groups representing various companies worldwide, visited the city state. Consequently a large number of Indian businessmen are also flying to Singapore to attend conferences, visit trade fairs and build up strong trade links with that country.

Comments Amberish Dalal (33), the Bombay and Ahmedabad-based executive director of Albert Rose Chemicals India Ltd. (sales: Rs. 40 lakhs in the year ended 30th June 1985): "Personally I like doing business with Singapore. It is a free port. There are no import-export restrictions. And although Singapore is a small country, it offers a large number of incentives for businessmen, which is very encouraging. One of its greatest attractions is that bureaucratic delays and red tapism are conspicuously absent in Singapore."

While detailed figures of the number of business travellers that the island republic receives annually are not available, S. Ang, director of the Bombay-based Singapore Trade Development Board, says that tourism has been a booming industry in Singapore during the last decade. In 1983, 1.54 lakh Indians visited Singapore, increasing by 25.3% to 1.93 lakhs in 1984. Last year, Singapore welcomed 2.19 lakh tourists, an increase of 13.5% over the previous year. According to Ang, together with the rapid development of

The flying machines

AIR-INDIA's computerisation and automation programme.

Air-India's programme for the future goes even beyond acquiring new aircraft To ensure perfect coordination of its vast operations, Air-India has embarked on a large scale programme of computerisatio and automation. For faster and more efficient service to passengers and freight customers:

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# of the future.

network of terminals connected to Air-India's computerised communication system, ARTICA.

* Further computerisation of passenger check-ins.
* Soon, computerised hotel reservations, fare displays, ticketing, advanced seat reservations and cargo bookings.
* Automation of cargo warehousing, handling and loading.

All this will be supported by skilled technologists, efficient ground staff and gracious hostesses aboard the aircraft.

Come, get the best of both worlds: old-world hospitality and the brave new world of technology.

AIR-INDIA —Programmed for the future

Ang: booming tourism

the tiny island republic (pop. 2.5 million in 1983), the profile of the traveller visiting Singapore is also changing and businessmen will soon catch up with, if not outnumber, leisure-pursuing tourists.

As an indicator of business spending, Ang details the following figures: "The average tourist in Singapore spent $731 (Rs. 8,772) in 1984. The visitor on commercial business spent $1,086 (Rs. 13,032) while one combining business with pleasure enjoyed himself with $1,135 (Rs. 13,620)."

FLYING OUT

There are several airlines offering direct flights from Bombay to Singapore every day of the week. The major airlines flying this route include Singapore Airlines, Air Canada, Qantas, Lufthansa, Alitalia and Air-India. For the high flying businessman the first class return fare to Singapore is Rs. 12,114. However, for the executive who wants to travel in comfort, but not at a very high cost, all these airlines offer the facilities of a business or a club class for the full economy fare of Rs. 8,704. As is fairly well known, business class travellers are accorded several facilities such as separate check-in counters, the use of executive lounges, a wider range of meals, free stereo headphones, giveaways and all the other frills of airline travel.

It is advisable to shop around for an airline ticket because most airlines and travel agents arrange a hotel for you at their cost, if your visit is for a few days, or arrange for discounts ranging between 25%-50% on hotel rates if the visit is of a longer duration.

In addition, most airlines offer a promotional return fare of Rs. 5,400 in the economy class which includes one free stopover either at Madras, Kuala Lumpur or Penang. To avail of this fare the traveller has to stay for a minimum of 10 days in Singapore or a maximum of 90 days.

DOCUMENTS & CUSTOMS CLEARANCE

Indian travellers to Singapore must possess a valid passport, but a visa is not necessary for a stay up to 14 days, provided the visitor has a confirmed outward passage and adequate finance to pay for his stay in the island city state. Should you wish to extend your visit you can apply for a visa which is usually issued at the immigration office, Empress Place, Singapore. (Tel: 337-4031). After disembarking at Singapore's Changi International Airport, Asia's largest and most modern airport, health and passport formalities are completed so rapidly that there is always time left over for some quick shopping at the duty free emporium.

Singapore is a free port and visitors are allowed to take in personal effects, (including cameras and radios), one litre of any alcoholic beverage, one litre of malt liquor, one litre of wine and 200 cigarettes or tobacco equivalent in any other form. However, narcotics are strictly forbidden, as are firearms and weapons. Immigration and customs clearance are quite speedy. But a word of warning: it is wise to enter Singapore well-dressed. Bejeaned and long-haired travellers can expect rigorous questioning by immigration officials.

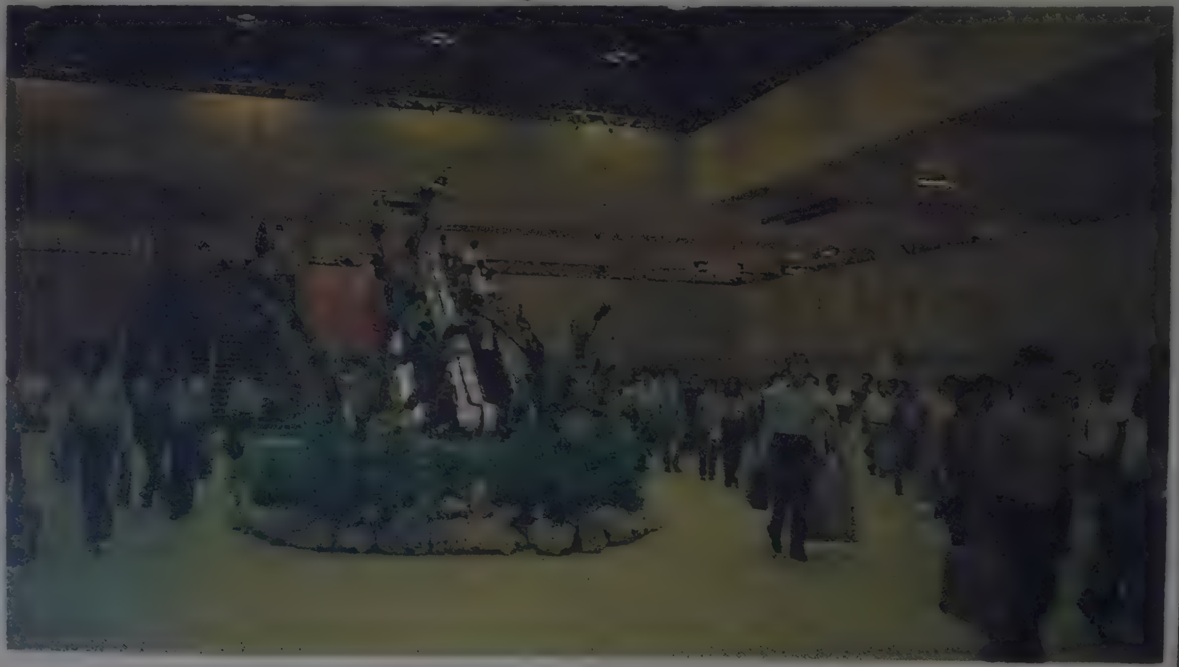
CURRENCY TRANSACTIONS

In the arrival lounge at Singapore airport, there are several counters which will exchange travellers cheques and hard currency. Singapore's moneychangers are government-licensed and reliable. Very often they give better rates than hotels which usually deduct a service charge of five to 10 cents (Singapore currency) per US dollar. Travellers cheques generally get a better rate than cash. Banking hours are 10 am - 3 pm Monday to Friday, and 9.30 am - 11.30 am Saturdays.

CITY BOUND

Changi Airport is linked to Singapore by the East Coast Parkway (travelling time: 20 minutes by car). There are two types of transport available from the airport—taxis or the public bus. Bus fares are reasonable, ranging between 40 cents to 80 cents (Rs. 2.30-Rs. 4.65) depending on the visitor's destination in the city. Taxis from the airport charge S$1.20 for the first 1.5 km adding 10 cents for every subsequent one third of a kilometre. For a destination in the city centre, cab fare usually adds up to S$12 (Rs. 70). Taxi fares are meant for two passengers, every additional person paying 10 cents extra; luggage charges are also extra: 10 cents per piece. A taxi from Changi Airport to the city will levy a surcharge of S$3 above the metered fare. Tipping is optional and frowned upon by the government.

Singapore's Changi airport: Asia's largest and most modern



Dining out in Singapore

Rang Mahal restaurant: authentic food. Inset: Vidyarthi

For the sheer range and variety of Asian cuisine it offers, Singapore is unbeatable. As the food editor of a Singapore tourist guide puts it: "Singapore's greatest asset is an unrivalled smorgasbord of superb Chinese, Indian, Malay and Western food prepared by native chefs."

Restaurants vary from small eateries to luxurious restaurants with floor shows but in this city state the main consideration is the quality of food. Amberish Dalal (see p.61) recommends Singapore's popular version of Bombay's Mohammed Ali Road for a meal. "There are licensed hawkers given space by the government in one particular zone in the city and in most districts of Singapore who offer a fabulous variety of dishes—Indian, Malay, Chinese—at very cheap prices. The prevalent old world atmosphere makes these eateries worth a visit. Moreover, Singapore is the only city in the East which has solved the hawker problem so efficiently. These hawkers' stalls are clean and sanitised. The prices are nominal although they vary from place to place. You could eat a full meal at prices ranging from $2-$5," says Dalal.

Indian restaurants. However, if the visitor's preference is for style, service and decor as well as cuisine, there is an equal variety from which to choose, including a large number of first class Indian restaurants. The latter include Moti Mahal (18, Omar Khayyam,55,Hill Street) and Ujagar Singh (1st Gregory Place).

According to Captain Amarjit Vidyarthi, chief executive (agency division) of Varun Shipping Ltd., the best Indian food is available at the Rang Mahal restaurant located within the bosom of the Hotel Oberoi Imperial. "It is the only restaurant in Singapore where one gets authentic Indian food and not the usual boiled vegetables or mutton in a curry sauce which is usually passed off as Indian food," says Vidyarthi. "However, the prices are not very cheap and a good meal for two costs about $60 (Rs. 720)."

Vidyarthi also recommends the European restaurants of Singapore, singling a French restaurant,The Saxophone, as an excellent place "to eat and entertain clients in style." The bill for two ranges between $70 and $80 depending on the dishes ordered and wines selected.

TIPPING

However in hotels, nightclubs and bars, a 10% tip is expected. Bellboys and porters are tipped between 50 cents to S$2 (Rs. 11.60 p.) depending on the complexity of the errand. In small restaurants, food stalls and taxi fares the bill includes the service charge and a simple word of thanks will suffice.

HOTEL ACCOMMODATION

Hotels are thick on the ground in Singapore and keen competition among hoteliers ensures variety and quality. In terms of quality hotels range from the deluxe to low-budget guest houses for undemanding travellers. Prices range from a fancy US $93 (Rs. 1,116) for a double room at the Century Park Sheraton, to a more reasonable $72 (Rs. 864) for a double at the Oberoi Imperial and move right down to $39 (Rs. 468) for a double at Lion City Hotel.

Right now, there is a glut of hotel rooms in Singapore and the visitor would do well to compare the current rates of hotels, because a large number of them are offering massive discounts on room tariffs. At Changi Airport there is a hotel information counter where one can check the rates, find out if rooms are available and whether the hotel offers a pick-up service from the airport.

A frequent traveller to Singapore, Captain A. S. Vidyarthi (40), chief executive (agency division) Varun Shipping Ltd. (sales Rs. 8.25 crores in the year ended 31st March 1985) comments: "I usually stay at the Hotel Excelsior which is very centrally located. It is close to the places I visit in the course of work and very convenient. However, it is not cheap. The room rate for a single room is S$75 (Rs. 435)—and that is after a corporate discount which my company gets from the hotel since our executives visit Singapore very frequently."

SHOPPING

For the sheer range and variety of goods Singapore offers, the island city is unbeatable as a shopper's paradise. Turn the corner of any street and there is a department store or at least a shopping mall, plaza or emporium. Indian travellers who are generally compulsive shoppers should know that there is no import duty or sales tax on most items. There is a wide variety of

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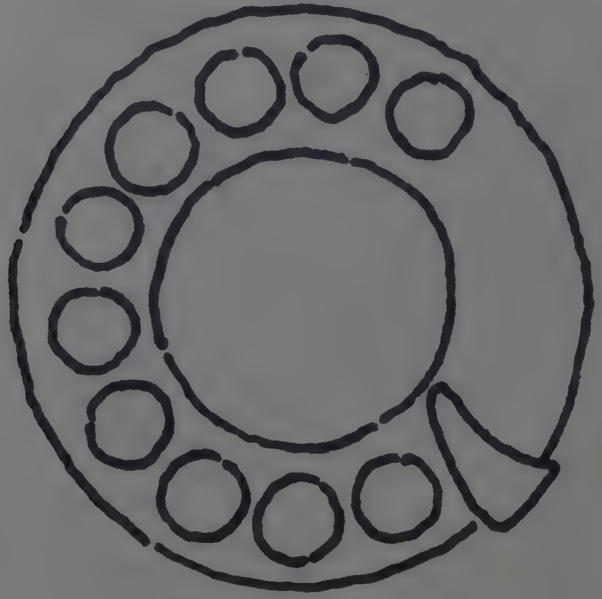

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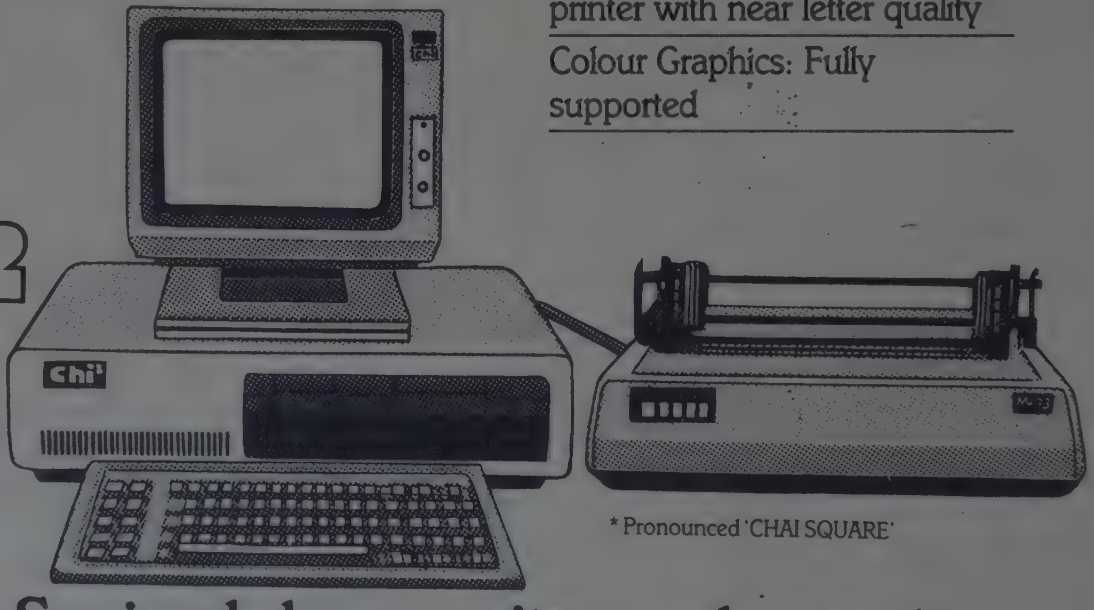

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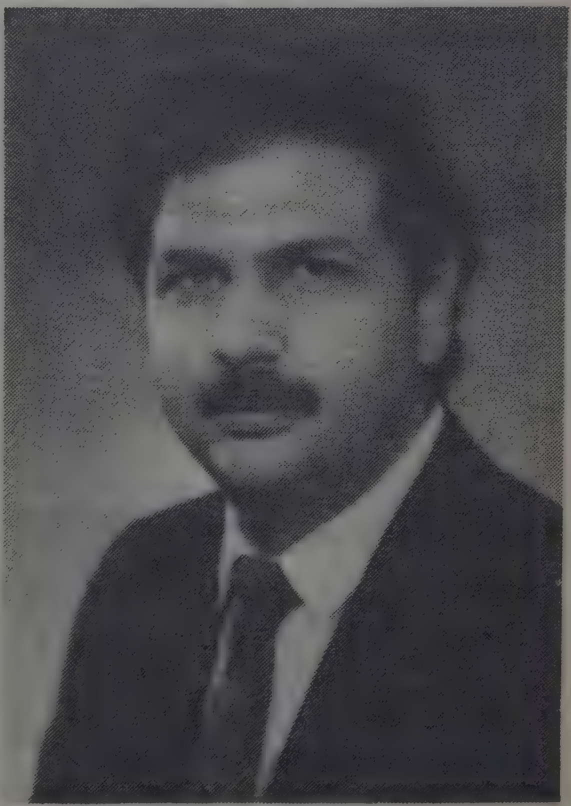
Department store in Singapore: shoppers' paradise



Dalal: business facilitated

products available from all over the world, brought in by exporters who find Singapore a ready market due to its free trade policy.

The traveller with a little spare time can browse through the big shopping plazas on Orchard Road and buy anything from cameras, watches, tape recorders to *haute couture* clothes, at very reasonable prices. Or he can visit the city's numerous street bazaars for oriental bric-a-brac. Recommended shopping areas are Orchard Road, Tanglin, People's Park complexes and Change Alley. For Indian travellers who normally have a long shopping list it would be worthwhile to note that bargaining is an acceptable practice except in the larger department stores. Most shops in Singapore are open from 9 am to 7.30 pm and quite a few remain open until 11.00 pm, Saturdays included.

EVENINGS IN SINGAPORE

Although there are plenty of theatres, nightclubs and discotheques in Singapore, the two major activities during leisure hours are eating and shopping. With the wide variety of cuisine it offers—Chinese, Malay, Indian and Western—Singapore is chock-a-block with restaurants. For Indian visitors who wish to sample a taste of Singapore after dark, the Singapore night tour conducted by the Tourism Promotion Board is recommended. It starts at 8 pm, includes a 10-course Chinese meal, a sightseeing tour of the city's various landmarks and costs $30 (Rs. 360) per head.

For a glimpse of the old Singapore, visit Chinatown and see a traditional Chinese opera. The traveller can check with the Tourism Promotion Board's offices for current performances and rates for tickets.

With more Indian businessmen moving eastwards and discovering Singapore "as an easy place to conduct business," in the words of Dalal quoted earlier there is all the more reason why the Indian businessmen should get to know the city and the numerous facilities it offers, well.

Jayshree Kapahi

Singapore weekends

After hectic business negotiations in Singapore, it would be a good idea to get away from it all. Unfortunately Singapore is a tiny island city and does not offer much room for those with a love of the great outdoors. Most Singapore residents with a yen for an adventurous life make tracks for neighbouring Malaysia which offers plenty of opportunities for outdoor leisure pursuits.

Malaysia. A visitor can cross the border to Malaysia within 35 minutes by air. Rapid trains also connect Singapore to Malaysia and taxis, buses and rent-a-car services are easily available. A smooth drive to Malaysia is offered by tour operators such as Harpers Travel (Tel: 2202200) or Orient Vacations (Tel: 2519688) who arrange weekly tours which include a one day visit to Malaysia's famous wildlife park Johore for a charge of S$35 (Rs. 203) for adults and S$32 (Rs. 186) for children.

For a weekend retreat, the Robinson Crusoe islands of Pulan Tioman and Pulam Rawa in Malaysia with white coral sands and swaying palms is ideal. The superb facilities offered which include every kind of watersport, deep-sea fishing and scuba diving, guarantee to make it an interesting trip. For Tioman contact Jason Travels & Tours (Tel: 7372277) and for Rawa, Rawa Safaris (Mersing 791204).

Malacca. 150 miles north of Singapore, a 40 minute flight or a three hour car ride away is Malacca. It is a quaint little town by the sea seemingly untouched by time, which has some fine examples of old Dutch and Portugese architecture. Its claim to fame is the monastery of St. Paul's Hill where St. Francis Xavier preached the gospel three centuries ago.

BusinessWorld
August 4—17, 1986

CMC's brave new world

By ANAND P. RAMAN

Despite its humble origins as a maintenance outfit primarily to keep an obsolete generation of IBM computers in good repair, in recent years the company has transformed itself into a trail blazer of the indigenous information technology effort.

CMC's new corporate office in New Delhi: path-breaking research

Ever since the floodgates to th brave new world of informatic technology were thrown open b the edicts of a technology-conscious Rajiv Gandhi government, a sea change ha swept through the domestic computer industry. In the span of 21 months sinc November 1984 when protectionist tari barriers were drastically lowered, price of computers have plummetted, technological collaborations have multiplied and a host of personal, mini an microcomputers are battling it out in a increasingly competitive domesti marketplace.

Yet, beneath this sudden flurry of activity, much of which relates only to the installation of snazzy hardware for prosaic data processing functions, there have been few serious attempts to explore the full potential of the information and communications revolution which the computer is engineering elsewhere. As a result, not only has the evolution of an indigenous production base for hardware or software tailored to domestic needs been excruciatingly slow, but the information age that has become a tantalising possibility by the union of computers, communications and controls in the more developed nations is still light years away in this country.

Somewhat characteristically, the majority of indigenous computer companies, blinkered by the lure of handsome short term windfall profits, appear none too keen to push the frontiers of indigenous computer technology beyond the traditional and the mundane into the realm of computer networks and real-time information systems.

It is against this depressing backdrop that the quiet yet remarkable efforts of a low profile public sector enterprise, the New Delhi-based CMC Ltd. (formerly the Bombay-based Computer Maintenance Corporation; sales: Rs. 43 crores in the year ended 31st March 1986) to set the pace for an indigenous hi-tech computer revolution and through path-breaking research, to put the country on the information technology map of the world, assume more than a little significance.

Despite its humble origins as a maintenance outfit, primarily to keep an obsolete generation of IBM 1401 computers in good repair, CMC has, in recent years, transformed itself into a trail blazer of the indigenous information technology effort. Even more surprising, a unique and distinctive corporate ethos pervades CMC, which has succeeded in luring the cream of computer talent, both from within the country and from the ranks of non-resident Indians as well, setting it poles apart from the run-of-the-mill, typically bureaucratic and inefficient public sector company.

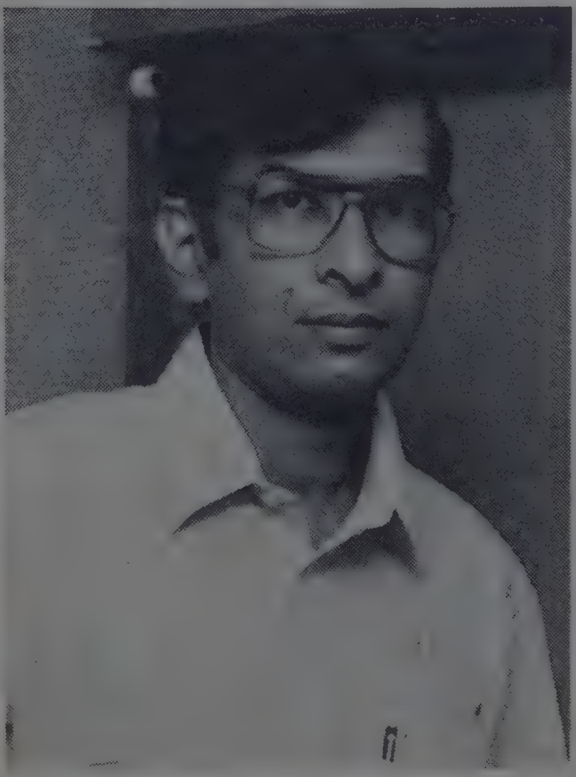
Little wonder then that CMC has been associated with some of the most challenging and mammoth computerisation projects in this country including the network-based computerisation of passenger reservations and freight movement for the Indian Railways; the computerisation of the operations of the country's main news agency the Press Trust of India; the massive three-tier computerisation of the nationalised banking industry; the proposed computerisation of the district-level administration of government and much else besides.

Indeed, the culmination of the scorching pace that CMC has set for itself was the development and recent commissioning of the country's first inter-city commercial computer network called Indonet — by popular consensus, a feat of the highest order. By successfully executing Indonet, which comprises three IBM 4361 computers located at Bombay, Calcutta and Madras; a DEC-PDP 1144 system at Delhi and a Robotron 1055 computer at Hyderabad, linked to each other by dedicated telephone lines (i.e. lines exclusively used by Indonet) rented from the P&T department, CMC has joined the select band of computer companies worldwide which have the necessary expertise to develop and execute large-scale networks of computers.

The full significance of this network is underscored by the fact that commercial and custom-built data communicating networks today account for the bulk of all information technology-related investments made in the developed world last year, and have come to be regarded as being indispensable to the task of putting computers to more productive and creative use. Not only does networking —a process which enables computers to 'speak' to each other — make much larger volumes and varieties of data accessible to users but the information is immediately available and processed almost instantaneously, and in contexts where time is money, more cheaply as well.

NETWORK ERA

In the first phase of the implementation of the Indonet plan which went on stream in April, three additional computer installations located at Pune, Bangalore and Ahmedabad have already been linked to Indonet with cluster controllers, and plans to add Gauhati, Patna and Bhubaneshwar to the network before the end of the year have been finalised. Despite the lack of fanfare with which the network era has been ushered into the country, it can hardly be denied that CMC appears to be in the vanguard of the communications revolution.



Basu: powerful utility packages

The boost that a single network like Indonet will give the Indian computerisation effort is tremendous: at one stroke, Indonet users have not only a nationwide monitoring and information system relating to various operational parameters such as stocks, sales and inventory, but they can also access a wide variety of specialised software packages pertaining to management information systems and decision-making support systems, on three different computer systems from any single point.

As Dipak Basu (37), a postgraduate from the University of Southern California, USA, and currently CMC's Indonet group manager, who worked with GTE in the US for 11 years before joining CMC as a network specialist, points out: "Indonet offers powerful utility packages such as VM/CMS, CICS, database management systems (DBMS) such as DL/1 and SQL and applications packages such as Projacs for project analysis, MPSX for production and capital investment planning, Copics, ISPF and Indo-GKS for graphic capability. The point to keep in mind is that these packages can be time shared by different users thus eliminating the need to duplicate their imports."

In addition to this somewhat impressive list of software, CMC is already planning (in collaboration with a private non-profit organisation) to offer Indian users data bases from the United Nations, the UN Development Programme, the US Library of Congress, Inspec, Medlars, Science Citation Index and the National Technical Information Service of the US. Simultaneously, information banks for weather, agriculture, legal cases, medical histories, market surveys, technical extracts, population census, etc.,will also be built up on Indonet systems, and more specialised applications packages indigenously developed by CMC are also proposed to be made available.

The prospect of freedom from the problems associated with the acquisition and maintenance of expensive network systems has persuaded a plethora of organisations such as ONGC, SAIL, Bangalore

Indonet information centre, Bombay: communications revolution

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Development Authority, Asian Paints Ltd., Dunlop Ltd., the Geological Survey of India, Indian Oil, Bombay Port Trust, Best & Crompton, SBI and Development Consultants Pvt. Ltd., to book the services provided by Indonet.

COMPETITIVE RATES

"In keeping with the prevailing norms within the Indian computer industry, Indonet's services are not sold at fixed prices but vary according to the extent of usage and the nature of the work done. Services are, however, priced at extremely competitive rates in comparison with prevailing market rates as initially, the systems will be used primarily for data processing and real time information monitoring," explains Basu.

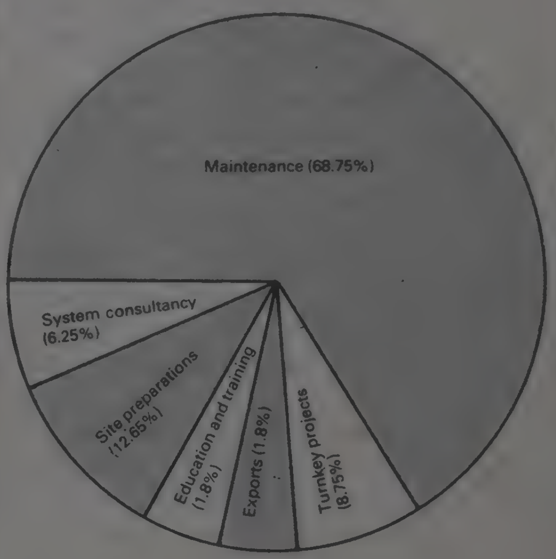
Yet, the domestic industrial user has responded somewhat lukewarmly to the sophisticated software packages available on Indonet; but this has not discouraged CMC managers excessively since they believe that Indonet has tremendous potential to boost software exports to the IBM-dominated markets of the US and Europe.

IBM compatible software accounts for a full 70% of the global Rs. 600 crores software market, but because the development of new software for this market requires the on-site presence of software engineers, Indian software houses hitherto found it difficult to muscle into this market. Direct access to overseas computer installations via Indonet will now make it possible for Indian software exporters to be 'present' at site and CMC managers therefore anticipate a big demand for the services of Indonet from this user segment.

But for Basu and his highly specialised Indonet group, who have worked for close to six years to make the network a reality, the commissioning of Indonet has been a hard won triumph. Displaying unsuspected technical virtuosity in the Indian environment, this team has broken fresh ground in the conceptualisation, the actual networking of three different makes of systems and the designing of the sophisticated communications architecture that allows virtually any system to be hooked on to Indonet. Arguably then, the commissioning of Indonet signals the coming of age of CMC which plans to play a key role in the setting up of similar networks e.g. Oilnet, Steelnet and Powernet for the indigenous oil, steel and power generating industries respectively.

The commissioning of Indonet has taken sceptics by surprise, not the least because only one year ago, it hardly seemed possible that Indonet would get off the ground with the hostile Reagan administration time and again refusing IBM the permits necessary to export the three IBM 4361 mainframe computers valued at around Rs. 1.2 crores apiece to India. At one stage, CMC thought it best to shop around for alternative systems, which would enable Indonet to get to the launch pad, but was persuaded to proceed on its original course by IBM.

CMC's revenue profile



Sales Rs. 21.65 crores in 1984-85

PIQUANT IRONY

To computer industry monitors, there is a certain piquant irony in the manner in which the IBM-CMC relationship has developed over the years. It was exactly 10 years ago, in 1976, when IBM first sent out angry signals that it would prefer to leave the country rather than comply with the provisions of the Foreign Exchange Regulations Act, 1973, relating to the dilution of its equity. When the government refused to budge, IBM wound up its Indian operations in 1977. In response to this, the government of India set up the original incarnation of CMC — the Computer Maintenance Corporation Ltd. — in 1976 with headquarters in Bombay, as a gesture of defiance to prove to the world's largest computer company that it was not indispensable.

With IBM announcing in November 1977 that it would cease its support operations in India in six months' time, CMC received a baptism of fire as it hurriedly geared itself to take up where IBM had left off — an attempt greeted with widespread scepticism at that time. Faced with the prospect of coping with nearly 800 IBM installations within this country, CMC gamely bought all of the departing corporation's tools, spares and components and offered jobs to all ex-IBM personnel.

Despite initial rough weather CMC soon earned a reputation for being equal to the challenge. Not only were uptimes on most systems kept high, but costs of maintenance were reduced. During the remaining years of the seventies, CMC negotiated maintenance agreements with other international mainframe manufacturers such as Control Data Corporation, Digital Equipment Co., Robotron, Bull, etc., earning the grudging respect of the indigenous computer industry before it had celebrated its fourth birthday.

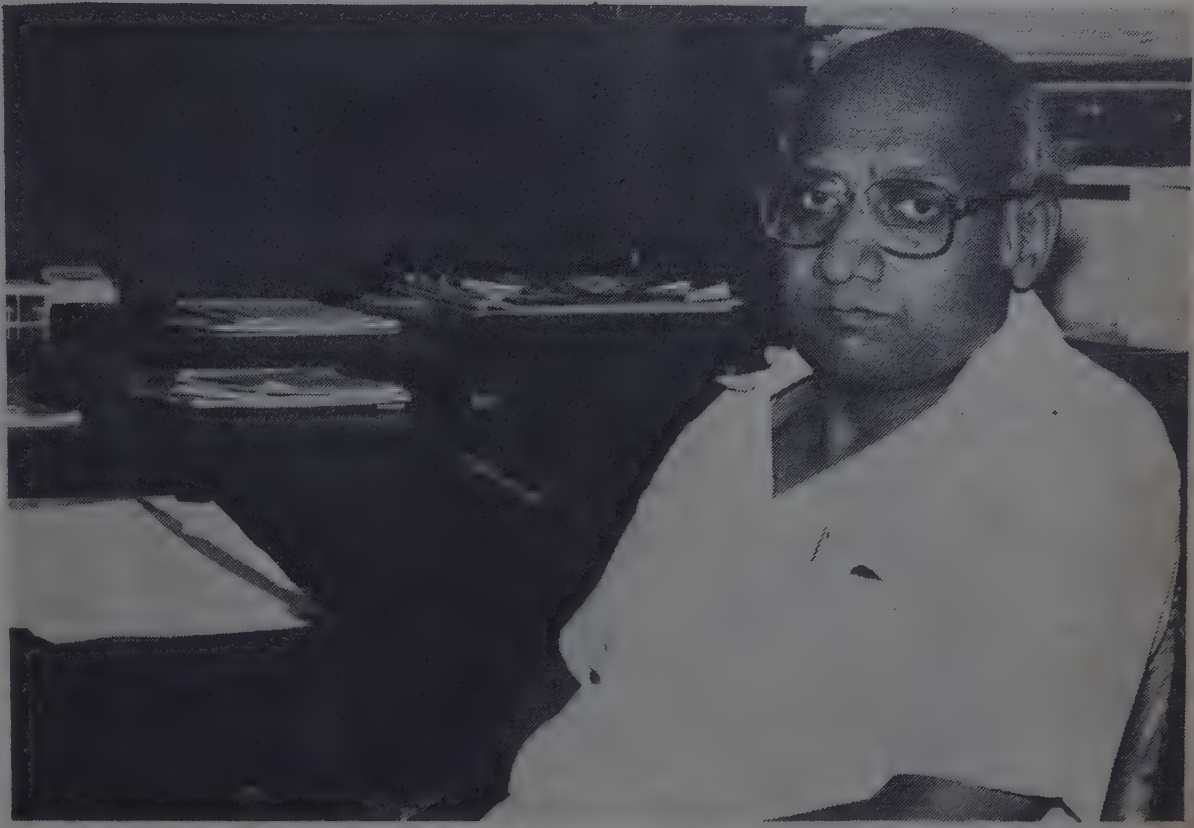
However, most computer industry monitors were somewhat perplexed by the fact that CMC was pouring money into its R&D wing at Hyderabad, when it was generally believed that the magnitude of personnel and financial resources required to make meaningful contributions to computer technology was beyond that of even the largest Indian corporations.

CALCULATED GAMBLE

Quite obviously, the corporation needed a determined technologist with vision to pull off this calculated gamble to develop an indigenous base for computer knowhow. And luckily, in the form of the irrepressible Dr. Prem P. Gupta (52), the government stumbled upon an outstanding computer specialist with the right amount of idealism combined with a firm grasp of reality. An alumnus of the Indian Institute of Science, Bangalore, Gupta obtained his doctorate from London in 1959, specialising in digital computers.

Over the next 16 years, Gupta gained invaluable experience in every aspect of the computer business from research to systems support to marketing by working for such leading multinational computer colossuses of the world as ICL, UK and Control Data Corporation, USA. Ever a dreamer, Gupta was fired by the conviction that an indigenous computer base could be built up, which would rival the achievements of the developed world. He quit a lucrative job as marketing manager (IC (India) Pvt. Ltd.) to take up the responsibility of building CMC from scratch in 1976.

Clearly, Gupta's first tenure as managing director of CMC between 1976 and 1980 was marked by such outstanding success that he caught the eye of the highest office of the land which wasted no time in requisitioning his services. In 1981, Gupta was appointed secretary in the fledgling department of electronics (DOE) which was simmering with personality conflicts and differences on policy options. Unused to the ways of government, Gupta's efforts to promote indigenisation and standardisation in the context of a dynamic electronics policy he was determined to formulate, were hardly appreciated by the bureaucracy.



Gupta: the timing of the return could not have been better

Resenting him for being an outsider from industry, both his own staff and other bureaucrats made life less than pleasant for him and Gupta was forced to opt out in 1984. Then followed an uneasy six months in limbo when P.D. Jain, the then managing director of CMC reportedly tried every subterfuge to block Gupta's re-entry. But Gupta, as clever as the next man, fought his way back to CMC by May 1984 as chairman and managing director.

In retrospect, the timing of Gupta's return could not have been better. From being a small Rs. 5 crore company in its first year of operations, CMC had, despite its growing stature, managed only to double revenues by 1981-82 while sticking to its original line of business — the maintenance of imported computer systems. In view of the fact that imported computers had only just begun trickling into the country during this period, this was not a bad record. Yet, over the next two years, coinciding with the period when Gupta was away, the company's growth slowed to a snail's pace — revenues increased from Rs. 10.19 crores in 1981-82 to Rs. 12.10 crores the next year and only to Rs. 13.28 crores by 1983-84. Clearly, something was amiss, as even the products and projects of CMC's own research efforts which were expected to fructify by this time suddenly floundered in the absence of a firm hand at the wheel.

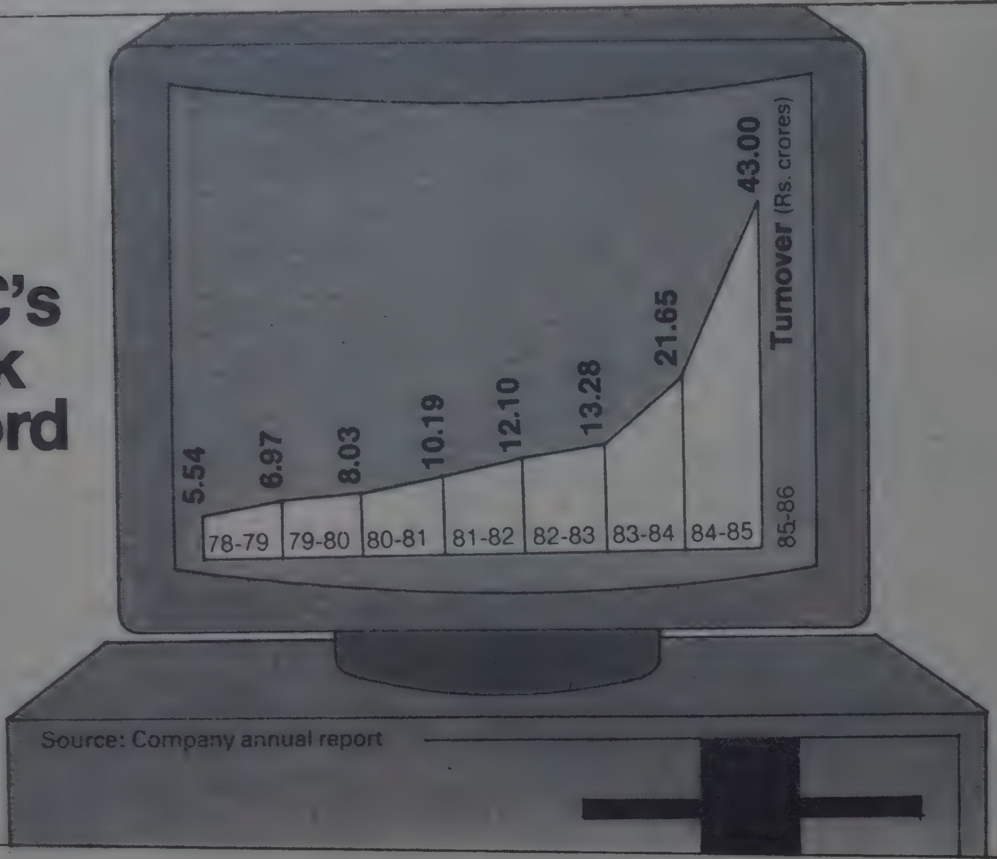
FAVOURABLE POLICY

That strong medicine in the form of the reintroduction of Gupta was necessary to turn CMC around is borne out by the sudden spurt in CMC's sales after 1984. In each of the next two years, CMC's revenues virtually doubled from Rs. 13.28 crores in 1983-84 to Rs. 21.65 crores in 1984-85 and then on to the outstanding Rs. 43 crores in the recently concluded year i.e. 1985-86. Admittedly, Gupta's efforts were bolstered by the onset of a favourable policy regime which saw a host of mainframe, mini and microcomputer systems being imported into the country. With the government keen to prevent any outgo of foreign exchange for maintenance charges, beyond that necessary for the import of spares, importers of systems were implicitly forced to turn to CMC for maintenance contracts, as it was often uneconomical for them to do it in-house.

And insofar as the public sector and government departments were concerned, an unwritten rule was laid down that their systems would be maintained only by CMC, thus assuring it a steadily growing volume of business. Thus, in 1984-85, Rs. 11 crores or nearly 50% of CMC's total turnover of Rs. 21.65 crores came from this line of business — almost as much as its total sales the previous year. In addition, between 1983 and 1985, CMC was also designated the canalisation agency for the import of peripherals which in 1984-85 added Rs. 5.31 crores to its sales. It is therefore no surprise that monitors of the computer scene are prone to scoff at CMC as the "pet" of the DOE and attribute its growth to its monopolistic position.

However, the story for 1985-86 appears to be a little different. Although the volume and consequently the re-

CMC's track record



Source: Company annual report

venues of its maintenance business did go up to Rs. 13 crores, for the first time, its share in total turnover was far below 50% — just 30% to be precise. With canalisation also having been done away with, the main boost to CMC's revenues in 1985-86 came from its execution of turnkey projects which contributed as much as Rs. 11.7 crores — an astounding growth rate of 718% over the previous year.

In addition, with its site preparation and systems consultancy also booming with a hefty Rs. 4.25 crores contribution to the total turnover of Rs. 42.65 crores (or 10%), CMC was able to break the myth of being a monopoly maintenance corporation. With the rapid growth of CMC's new lines of business, specifically turnkey projects, the stage had been set for the complete transformation of CMC, with its heavy investments in R&D in the past providing a launch pad for its ambitious thrust into the next century.

With a quick succession of hardware, software packages and turnkey projects lining up to enter the marketplace, CMC is today on the verge of emerging as one of the leaders in the information technology business. According to in-house projections, by 1989-90, CMC will be a Rs. 350 crore company — which will make it one of the biggest non-manufacturing companies in the computer business. Of the Rs. 350 crores, the maintenance business is expected to contribute Rs. 76 crores, while Indonet will add even more to CMC's coffers: Rs. 80 crores. While turnkey projects and special products are expected to cross Rs. 50 crores at least, the supply of imported peripherals (not however through canalisation) is slated to add another Rs. 100 crores to CMC's revenues. Obviously, CMC is planning to enter the super-league of the computer industry.

That this is not going to be a painless process is evident. With the lack of any sort of marketing orientation, CMC is bound to fail unless the entire organisation gears itself up on a war footing. It was in anticipation of this transformation from a pure maintenance company to a market-lead R&D company that CMC had changed its name in 1984. But a corporate reorganisation to achieve the mind-boggling targets CMC has set itself was inevitable. Consequently, in April this year, Gupta shot off a series of characteristically informal telex messages to his colleagues in CMC, informing them of the overhauling of the existing organisational structure to make it far more responsive to the needs of the company's diversified growth path for the future.

EQUAL IMPORTANCE

As a part of the reorganisation, a vertical split between the traditional field engineering (maintenance) division and the emerging cash-cow, the systems and software division, was effected, with their equal importance demonstrated by the appointment of executive directors for each division.

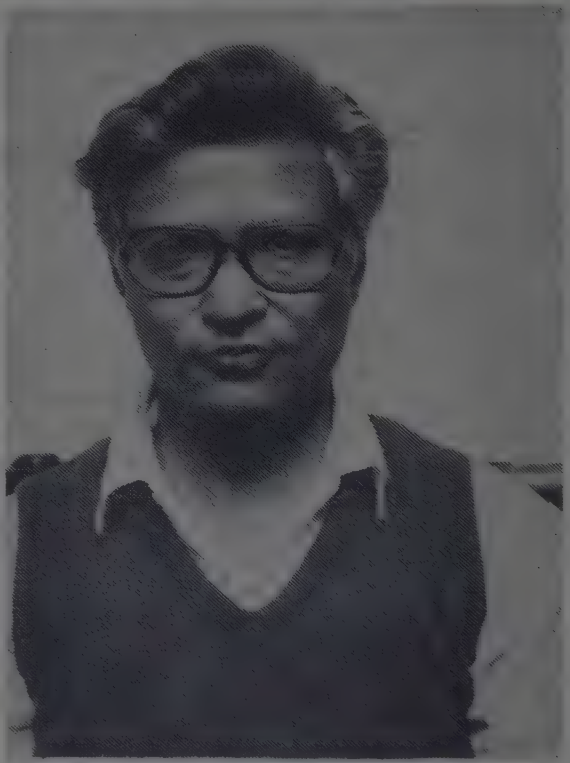
In fact, as A.M. Mirani (49), the hardware expert who oversees the field engineering division, was already an executive director, the acknowledgement of the new importance of the systems division was symbolised by the appointment of R.P. Jhunjunuwala as the new executive director for development and software. Now responsible for moulding the 165-odd highly qualified and motivated computer professionals into a crack R&D team at the research centre in Secunderabad, it was just recognition of the 44 year old Jhunjunuwala's considerable managerial skills that more responsibilities were heaped on his plate.

Gupta justifies the reorganisation by arguing that "CMC is an extremely flexible organisation and we have been experimenting with different structures. With the growth of the company, it is necessary to have vertically autonomous functions." Within the company, there is almost universal accord that such a bifurcation was long overdue and is better suited to the new identity that CMC is forging as vouchsafed by every one of the senior managers polled. A typical response was that of Jhunjunuwala who said, "We are in two different kinds of businesses and as we grow, this reorganisation should help us in making more splits when necessary. The integration of the technical and marketing functions will create more flexibility within the company."

COMPANY'S BACKBONE

In the ultimate analysis, despite the new found emphasis on the systems and software development business, it is the backroom boys of the field engineering division who will continue to be the backbone of the company. For, it is their prowess in ensuring that the average uptime of the 479 systems — supplied by nearly 36 different manufacturers — that CMC maintains, has been kept at an impressive 97% that has established its credibility.

Jhunjunuwala: greater flexibility



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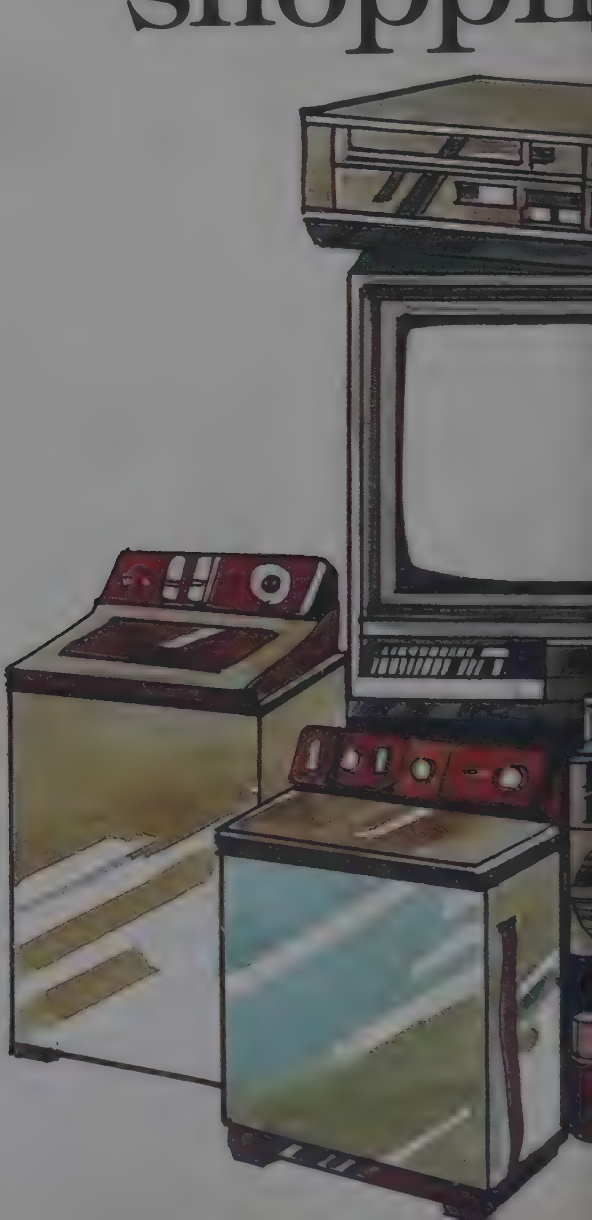

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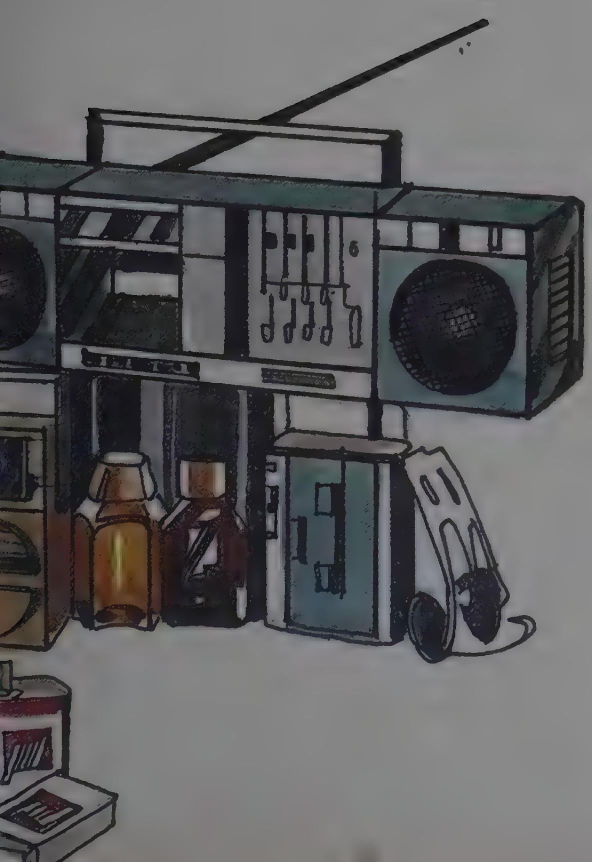

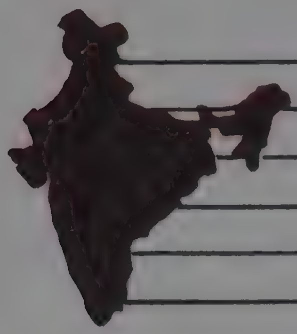

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As Dhruva Dutt (52), the newly appointed vice president (field engineering) who worked with IBM for 21 years before joining CMC in 1978 argues, "Despite the varied nature of the systems that CMC maintains, that the average downtime was only 3% of total usage time, is to my mind, quite objectively, excellent going. Even for old and obsolete systems, we have set up our own repair shops or developed alternate vendors, even cannibalising machines when necessary."

This very diversity of systems forces CMC, as Dutt admits, to stock a very high inventory of spares at its central warehouse in Bombay, at five regional spare parts centres and at numerous customer locations themselves, the carrying costs of which are extremely high. For example, in 1985-86, CMC's inventory was close to Rs. 8 crores, of which nearly 10% had to be written off due to obsolescence, for a total field engineering turnover of Rs. 13 crores. However as Dutt points out, "There is a trade-off between the quality of our service and our costs. Since the consumption pattern of spares is difficult to predict and procurement periods are extremely uncertain, we have no other option but to maintain large inventories in order to discharge our commitment to our clients." With the computerisation of the entire inventory of Indonet, optimisation as well as faster location of parts will now become possible for CMC's field engineering group, speeding up their response times.

Referring to the recent criticism by computer industry monitors who allege that CMC charges much too heavily for maintenance contracts and never passes on the benefits of reduced import duties to customers, Dutt says: "We sat down the other day and discussed this issue. We felt that despite the flight of the dollar, and the rising costs of spares, the very fact that CMC had kept charges at 1981 levels proved the contrary." Nor for that matter, have any fresh import duty reductions been sanctioned in recent times, say CMC managers, so the question of passing on the benefits of such reductions does not arise.

PRICING POLICIES

Continuing strident criticism of CMC's pricing policies is possibly a hangover from 1983-84 when CMC doubled as a canalisation agency for the import of peripherals to ensure standardisation and to provide end users the benefits of bulk purchase discounts. This canalisation drew considerable criticism from managers within the indigenous computer industry and was consequently abolished last year.

However, CMC has, on its own, set up a similar scheme called Super. And as Dutt points out, the scheme is doing well with revenues crossing the Rs. 10 crore mark in 1985-86. "I don't think anybody has been able to match the prices or the services offered by CMC," says Dutt very quietly, thereby denying the charge of monopoly pricing.

Nor is price always a rationale for CMC's activities. When the DOE undertook its CLASS (Computer Literacy and Studies in Schools) programme, it was CMC's lot to install and maintain over 1,800 BBC Acorns in over 750 schools and 50 resource centres all over the country. Despite the vexatious nature of the task which hardly called for CMC's expertise and would obviously be uneconomical for it, CMC has stuck to its task. As Gupta who feels very strongly about this says, "Support to the CLASS programme is because of a commitment to that programme for which we are even developing a number of software packages in different languages. It goes far beyond a mere maintenance activity."

NEW DIMENSION

Increasingly, it is clear that the field engineering division will itself expand its role, and take on more site planning and installation assignments which have proved to be real money-spinners in recent times. Hardware sales is another activity that the field engineering division handles now, and as CMC develops newer hardware, it is evident that this activity in particular will lend a new dimension to field engineering.

Although CMC is acquiring quite a reputation for turnkey projects, a peek at the hardware laboratory at Ceeteecee House in Secunderabad reveals an impressive array of products. As the soft spoken R.D. Hinduja (42), an ex-IBM R&D hardware specialist who revels in showing off his products, says, "We first developed a 16-bit microprocessor, to serve as a standard base for all our products, which is expandable and open-ended. We are now working on a 32-bit processor for our next range which will be ready by the end of 1987."

Amongst the products that have originated in this laboratory is the Lipi, the country's first trilingual word processor, for which both the hardware and software were developed in-house. "Lipi was a watershed for us since the work done on generating Indian language scripts will form the basics for projects now underway of developing fonts, phototypesetting systems and even laser printers," explains Hinduja. Two other products that catch the eye are Stacmax, a CMC-designed statistical multiplexer, and a huge remote terminal unit (RTU) which is the first of its kind bui indigenously.

Perhaps the most striking of Hinduja' efforts is Automex, an automatic message switching system used in conjunction with teleprinter or telex equipment which acts as a despatch centre, receiving, storing and retransmitting message to their destinations automatically thu eliminating the need for point-to-poin communications via teleprinters. "W can upgrade the system to double its existing 16-line capacity easily. It is fast accurate and more economical than telex machines and extremely simple to operate and maintain," says Hinduja who points out that several features such as call priorities, group addressing and retransmission have been built into the systems software. This is one product that is doing extremely well with quite a few already having been installed in government departments and industry.

A CMC software lab in New Delhi

While these R&D projects undoubtedly justify the strong optimism in CMC's future to which its managers subscribe, there are more than a few question marks that remain. Amongst the most important of these is the lack of a marketing culture at CMC — its Achilles heel. Comments an independent computer consultant: "In the first place, the kind of time and money that goes into the development of products such as Lipi, the multilingual word processor, may not be justified by the number of such products that can be sold. And secondly, I see no reason why CMC should waste its time and effort in marketing its Impact range which is quite similar to what many other computer companies also have."

Indeed, there is a widespread feeling the computer industry that CMC is try- g to do too many things at the same ne, thus blunting its efforts to work at e frontiers of hi-tech. The company's ecial products division — a potential gh growth area — also suffers from the sadvantage of being buried in the field gineering division. With competition ated to intensify as imports become eaper and public sector companies ch as ECIL, UPTRON, KELTRON, etc. also ear up to carve out their shares of the arket, how CMC will fare in the future is ybody's guess, although initial succes- s are encouraging.

UNPARALLELED ABILITY

The major thrust of CMC's diversifica- on needs therefore to be concentrated the field of systems engineering, espe- ally in the area of real time on-line stems. As P. Narayan (48), corporate anager (systems) says, "We, on our wn accord, initiated work in several key reas some three to four years ago. That why when the opportunities present emselves our ability to offer turnkey lutions using indigenous or, if necessary, imported hardware, and custom-built software packages, is unparalleled today." This is no idle boast for there are several sectors where CMC's visibility in setting up computerisation schemes is high.

In the case of Indian Railways, both the passenger reservation system (IMPRESS) and the zonal freight management system (TYMS) have been developed by CMC and the company also proposes to upgrade the imported freight operations information systems (TOPS) for the railways. For the power sector, CMC, which has developed the software and systems configurations for load despatch centres, is also actively involved in the computerisation projects of all the four regional electricity boards and acts as a consultant to the Central Electricity Authority. Computerised systems for state road transport undertakings have also been developed, one of which is being set up for the Andhra Pradesh State Road Transport Corporation.

It may be recalled that CMC was the company which developed Ideas, an information dissemination, editing and switching system for the Press Trust of

Narayan: turnkey solutions

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"I am extremely optimistic about Indonet"

Anand P. Raman interviewed P.P. Gupta, chairman and managing director of CMC Ltd., on 16th July 1986, coincidentally his 52nd birthday. Excerpts:

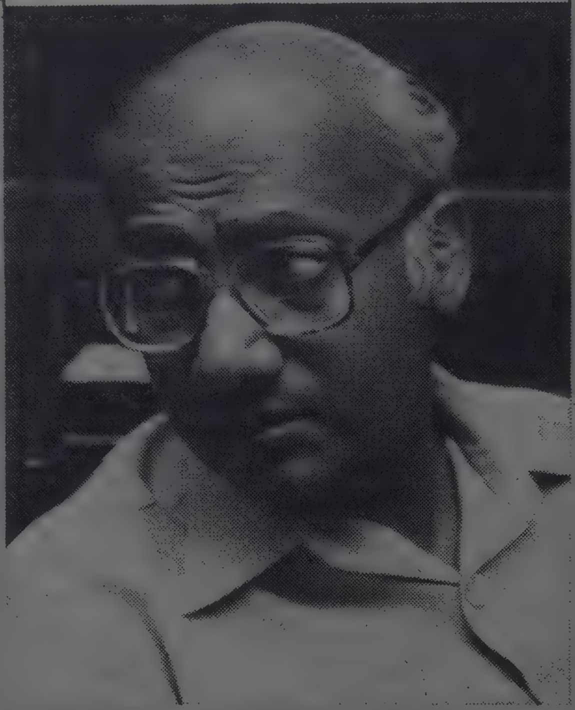
■ **CMC has completed 10 years of existence this year. What were your aspirations when you started the company? How far do you think those aspirations have been fulfilled in these 10 years?**

Well, I was the very first employee of CMC. Our objective was to become a one point computer support company, that is, one which is able to offer users all the services that are needed to use computers. We had certain other aspirations such as making significant contributions to the utilisation and introduction of information technologies in the Indian environment, to engage in R&D to develop state-of-the-art products, and above all, to be committed to the user. We started out as a hardware maintenance company, but our first task was to set up an R&D lab at Hyderabad. We have not only done our maintenance task well, but we are now doing very well indeed in areas such as turnkey projects and special products. I think almost all the aspirations we started out with have been fulfilled to a very large extent.

■ **CMC appears to be effecting a transition from being a pure maintenance company to an R&D intensive company. What is the reason for this change?**

In the late seventies, our prime commitment was maintenance. We have built up a strong field engineering group, which despite the difficulties involved has achieved a remarkable record of ensuring that the systems we maintain are operational for 97% of the time they are required for use. We have been able to keep some extremely old equipment in excellent running condition, although sometimes I wonder if we are not really doing some damage to the pace of modernisation by doing so.

It is not that henceforth we are going to pay less attention to this activity—our commitment to field engineering is very strong. But the other activities of CMC such as systems engineering of turnkey projects and the marketing of special products such as Lipi and Automex, have blossomed as a result of our past plans. And these areas are growing fast due to their very nature. It has been our aim from the very beginning to fill the gaps and to play a catalytic role in the growth of information technology in relevant areas.



■ **With regard to the maintenance business, to what extent can CMC's success be attributed to the fact that in effect it enjoys a monopoly of the maintenance business in India?**

I don't think we enjoy any kind of monopoly. Users, even in government and the public sector, have always had the option of maintaining their systems themselves. In fact, many users try to do so at first and then give up because of the economics and the problems involved. In truth, I think there is a reverse monopoly. Whenever anybody who owns a system anywhere in the country comes to CMC, we never refuse them because of our commitment to the user. Even where the system is small or they are few in number, and it may not even be cost-effective for CMC to maintain them, yet we feel obliged to do so.

■ **There have been complaints that CMC has been abusing its monopoly position with regard to the import of peripherals.**

The canalisation of imports of peripherals through CMC has been done away with now. Even when it was in force, I don't think the indigenous computer industry had any cause for complaint. If there were complaints, I don't think they were reasonable or well founded because when we started our SUPER scheme to replace the canalisation arrangement, it was in response to the demands of the computer industry. In fact, this scheme is doing very well with revenues touching the Rs. 10 crore mark last year.

■ **What expectations do you have of Indonet now that it has been commissioned?**

Well, we were ready with everything last year but the IBM 4361s could not be brought in because of certain political problems with the US government delaying export clearances to IBM. I am extremely optimistic about Indonet and even the initial response has been good. I think Indonet will be fully utilised within one year, although the concept of networking has yet to be fully understood in the country.

■ **What is your opinion of the concept of several large public sector monopolies wishing to set up dedicated networks of their own?**

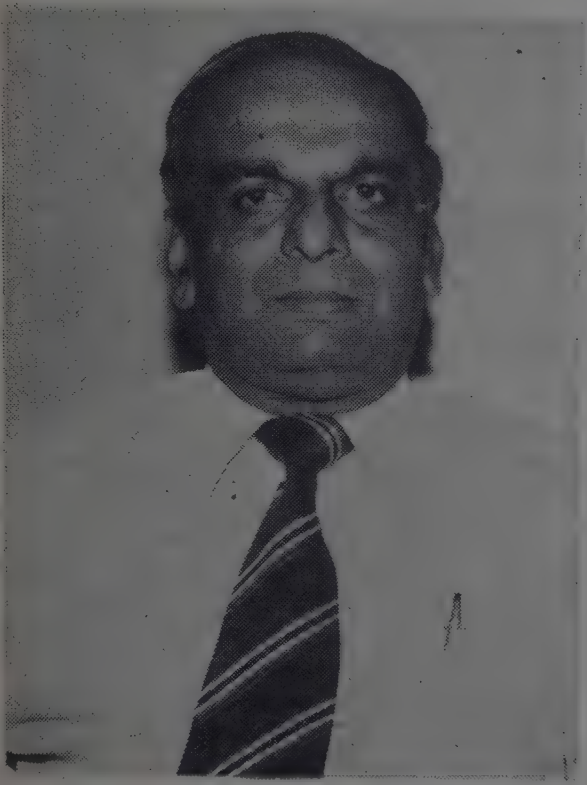
I think it is a question of economics. For smaller companies, the constituting of an exclusive network may not be very cost-effective. However, the economics would differ on a case-to-case basis, depending on the size of each organisation and the value to them of the information that they access through a network.

■ **In which areas do you propose to concentrate R&D efforts in the future?**

We are an R&D led company, but an R&D led company led by market forces. Although projects will be based on market feel, we will also do things which we feel ought to be done, where we ought to be showing the way. Our overall effort is to use computers to improve the quality of life and so areas such as medicine, rural development and agriculture are very important to us. As you are probably aware, we are also one of the largest education and training institutes in the country for we hold numerous courses in the field of computers. We plan to step up this activity even more.

■ **There is a widely held belief that the marketing function at CMC is weak and needs to be greatly strengthened. What are your comments?**

I don't think we have a single project or product at CMC that is not commercially viable. But yes, our marketing does need to be strengthened. We are, however, not a totally market oriented company as our objective is to fill gaps in information technology as they appear. As a public sector company, we will be financially viable; but we are not here only to make profits.


Krishnamurthy: industry specific skills

India (PTI). This system has been successfully set up in the four major Indian metropolitan cities. Recently, CMC was also awarded a consultancy contract by the Narmada Control Authority to design and establish a network of hydrometeorological stations to monitor the Narmada basin, and to transmit data to a central monitoring system at Indore.

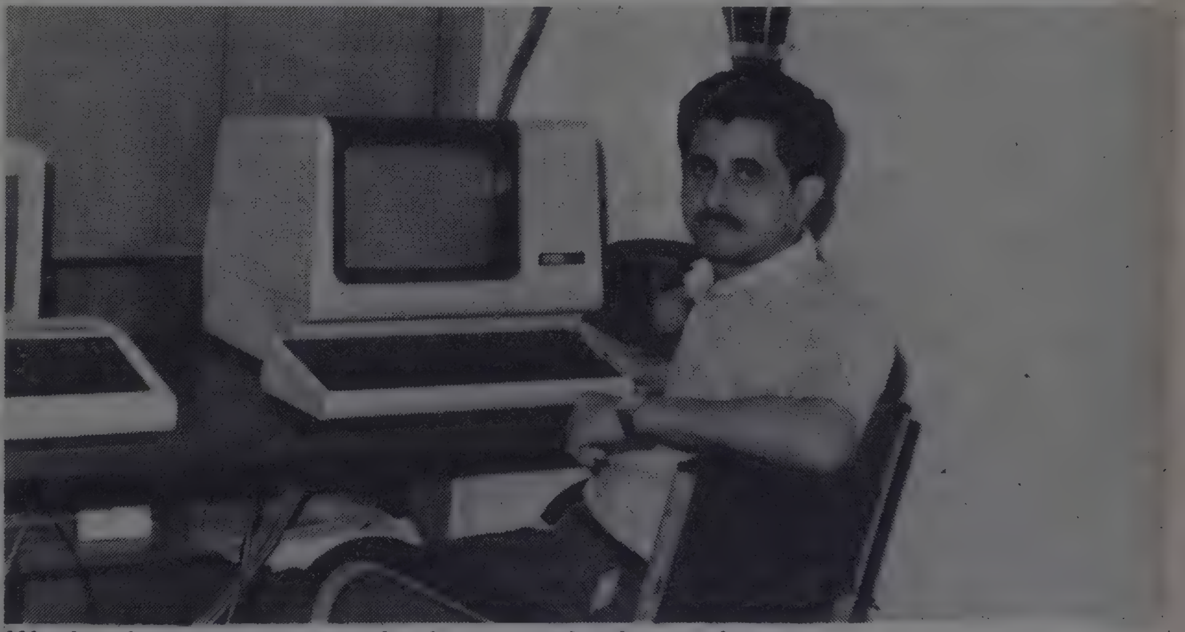
SPECIFIC SKILLS

Expanding on the same theme, S. Krishnamurthy (48), vice president (marketing and development) says: "We are also examining the possibility of getting involved with the oil, mining and steel sectors. We have industry specific skills in five to seven areas, including steel and oil, and we believe that we can provide the necessary products for these sectors."

While CMC is also the prime consultant to the RBI for the implementation of the massive computerisation drive that has already got under way in the 13 nationalised banks, it has also developed four of the 14 software packages recommended by the Rangarajan Committee for use in banks. Retained by the Centre for Cellular and Molecular Biology, Hyderabad, to design and install a computerised monitoring system to monitor 400 parameters every 10 minutes in its laboratories and animal houses, CMC plans to install the system by August 1986. As Jhunjunuwala points out, "Such systems can also be used for application in different process industries such as sugar, cement, oil, steel and chemicals."

With the avowed aim of introducing computers to improve the quality of human life, researchers led by Dr. Naveen Prakash have developed a package called Rapid, a district information system with six application modules and a graphic terminal which will shortly be set up in three districts in the country, greatly aiding planners and administrators. Simultaneously, laboratory work on developing software for use in agricultural operations and rural health centres is already underway. For the police department, a computerised crime/criminal identification and reporting system as well as a highly sophisticated fingerprint identification system — only the fourth such system in the world — have already been developed and demonstrated. A stand-alone image processing system, the software for which has already been developed to allow the processing of data from satellites, is also in the offing.

Not far behind is the Bombay-based communications R&D group lead by Dr. S. G. Wagle (38), which provides a much needed thrust to CMC's efforts to promote computerised communication packages.


Wagle: thrust to computerised communication packages

Not only was Ideas for the PTI conceived here, but the group has also developed an automatic message switching system. "We have quite recently installed two such systems, one for the DGCA at Bombay airport and the other for the India Meteorological Department," says Wagle who expects similar systems to be installed in each of the other metros.

In addition, an automatic ticketless trunk exchange for the management of the telephone department's trunk services has also been demonstrated and a Rs. 6.6 lakh pilot project for Bombay Telephones has already been bagged. Other products on the anvil include a computerised trunk testing system and a telephone fault detector which are expected to be ready by December 1986.

It was also in the Bombay R&D division that the powerful Indo-GKS, the country's first indigenously developed graphics system for computers, was born. Developed by Yogesh Shinde (28), this applications package which corresponds to the international graphic standard GKS, provides for two and even three dimensional computer graphics applications — one of the first such packages to have been developed in the world. The response to Indo-GKS has been flattering to CMC — three companies, one each in Holland, Switzerland and the UK have signed marketing franchises with CMC for this product, from the score of international companies which demonstrated an interest to market it.

AMBITIOUS PLAN

In this context, it must be pointed out that CMC is also taking the lead in software exports, with an ambitious plan to export software valued at more than Rs. 300 crores over the next three years. While CMC itself will export software worth Rs. 30 crores, the remaining Rs. 270 crores will come from firms promoted and supported by CMC. The scheme envisages the supply of hardware and software by CMC to software writers whose programs CMC will market aggressively on a royalty basis.

Ideally, CMC also hopes to extend its systems expertise to other developing countries which have similar problems in their key sectors such as power, transport and communications. Right now, however, CMC's software exports are negligible.

Despite the plethora of turnkey projects that the government and the public sector are planning to push through, it remains to be seen whether CMC will achieve its ambitious turnkey projects

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Computer education and training in CMC: a model for the reorganisation of public sector units

target of Rs. 28 crores by 1990. As one knowledgeable observer puts it: "I think the main reason why CMC gets a share of the cake at every stage is because it is a public sector company. If you analyse it, all of CMC's efforts are directed at the public sector or the government. CMC's products do not offer a price preference, but decision makers in government and the public sector know very little about computers. And as they are extremely suspicious of the private sector, they naturally gravitate towards CMC."

A company spokesman points out in defence: "I think such criticisms miss out on certain vital facts. CMC is one of the few companies to have developed the expertise to create state-of-the-art software for users in the railways, the power sector, the district level administrations. We spent long years in collecting data on these subjects with local level authorities and developed these systems. Not many other software firms can make a similar claim."

Yet the years ahead are unlikely to bring big public sector projects CMC's way — most of the envisaged ones during the Seventh Plan have already been contracted — and an aggressive bid for the more limited markets of the private sector will become imperative. And whether CMC's weak marketing prowess will not prove to be a major impediment in this task, is still being debated. On the answers to the questions that are being thrown up in this debate will depend the future of CMC as one of India's leading computer support companies. But whatever the answer, there is little doubt that notwithstanding its enviable track record, CMC's strengths will be put to the acid test, and its weaknesses exposed as competition intensifies and the quest for new markets begins.

Enviably, CMC can count on more than a few major strengths in its quest for continued domination: a vibrant, strong, R&D team, a highly motivated group of field executives and managers, and an organisational culture that should enable it to remain flexible and responsive to changing conditions in the future. These are strengths that mark CMC as a unique public sector organisation, and a unique computer company as well.

UNIQUE ETHOS

It is in fact fascinating to see just how the organisational culture of CMC has evolved. After all, CMC is a strange hybrid. First, it is a computer company. It is also chock-a-block full of ex-IBM professionals, who are accustomed to working in task-oriented and clearly defined organisational environments. And finally, CMC is a public sector corporation, responsible to the DOE and Parliament and open to inevitable interference from both. It has perhaps been Gupta's single most important contribution that he has forged a distinctly unique CMC ethos and culture that has allowed the highly talented and experienced professionals in CMC to give of their best. The vitality of CMC's professional team is all the more remarkable in view of the fact that as a public sector company, CMC cannot match the pay scales of the private sector. This notwithstanding, Gupta has maintained morale at high levels and has also managed to shield CMC zealously from the influence of bureaucrats and politicians alike.

Gupta attributes high personal morale to the democratic mode of decision-making within CMC, and the egalitarian spirit that pervades the organisation generally — as is indicated by the open offices, common toilets for all staff, common self-service catering facilities, etc. Another morale boosting innovation that CMC is experimenting with is the encouragement of intrapreneurship, where professionals are permitted — nay, encouraged — to promote their own companies but who continue to do valuable work for the parent company.

It is this sort of openness that has ensured that tensions between the older ex-IBMers, the numerous NRIs who keep adding to CMC's employee list and the irreverant youngsters who dominate the company, whose average age profile is a mere 30 years, are rapidly dissipated. It will be worth watching if the sudden rise to prominence of the systems and software men, relegating the field engineering personnel to the background, will send tremors through CMC.

CMC's pioneering role and its remarkable successes within the yet minuscule indigenous computer industry could only have occurred in an atmosphere of genuine commitment and the freedom to dream, qualities that Gupta himself possesses in ample measure. With its distinctive management style, CMC is undoubtedly likely to provide the model on which other traditionally inefficient public sector units can be reorganised.

The significance of the CMC success story is however likely to go beyond the domains of the managerial excellence it has assiduously promoted. For as the indigenous computer revolution begins to transform a nation that is yet caught in the contradictions of underdevelopment, CMC managers have set for themselves the ambitious goal of taking computers to the hitherto neglected nooks and crannies of the developmental edifice. It is in the pursuit of this overriding objective that CMC is likely to leave its imprint in the sands of time.

BusinessWorld
August 4—17, 1986

LETTER FROM ISLAMABAD

HUSAIN HAQQANI

Benazir's tough options

Almost three months after her return home from exile, Pakistan's opposition leader Benazir Bhutto faces a critical decision. She must either step up her campaign to oust President Zia-ul Haq by resorting to potentially violent civil disobedience or run the risk of losing momentum. If she goes for the second option, her demand for early polls will not be met and she will have to wait until prime minister Mohammad Khan Junejo calls a general election. Both Zia and Junejo have repeatedly said the election would be held in 1990 and Bhutto has failed so far to pressurise them into changing their stance.

Bhutto had been anticipating one of two responses from the government to her triumphant return. One possibility was a crackdown on the opposition, mainly the Pakistan People's Party (PPP), including her arrest. Alternatively, Bhutto expected Junejo to initiate negotiations over early elections after massive demonstrations in her support. But the government refused to be provoked. It has also not accepted the massive peaceful rallies as "sufficient enough proof of Bhutto's popularity" to merit consideration of her demand for a mid-term poll.

"Black Day." Bhutto's campaign was interrupted by Ramadan, the Muslim fasting month in June, and was resumed on 5th July—the ninth anniversary of Zia's assumption of power. Bhutto called for the observance of the anniversary as a day of protest, termed "Black Day."

The 5th July protests were much smaller than planned and did not achieve any of the desired results. Few black armbands were worn and fewer black flags hoisted. Despite the less-than-expected public turnout, the Black Day meetings did succeed in proving the organisational capability of the PPP on a national scale.

Bhutto is now under pressure from radical workers within the party to raise the pitch of her campaign. PPP leaders believe the party can win a general election on Bhutto's charisma and personal appeal, provided it is held soon. The memory of her late father and resentment against military rule are Bhutto's major political assets. Both could fade with time, particularly if Junejo manages to prove his independence from Zia and establish himself as a successor rather than a continuation of the martial law regime.

The prime minister is already devoting considerable energy toward organising his Pakistan Muslim League (PML). Recently the PML held a meeting of its general council and elected Iqbal Ahmed Khan as the party's secretary general. Iqbal is recognised as a hardworking political organiser and could give an impetus to the party despite persisting doubts regarding the PML's liability as a popular political force. The party is planning to observe 14th August—Pakistan's Independence Day—as PML day, to highlight the party's role in the country's creation. Observers see the idea of observing PML day as a response to the PPP's 5th July show of strength.

Peaceful strategy. Bhutto has so far avoided agitational politics so as not to create conditions conducive to the reimposition of martial law. Any major outbreak of political violence will almost certainly provoke an army takeover to restore law and order. As in the past, there would be no guarantee of when the army would return to the barracks once it has assumed control. Another factor in Bhutto's currently peaceful strategy has been her desire to consolidate the organisational base of the PPP. Since her return, she has encouraged a gradual disengagement of her party from the 11-party alliance, the Movement for Restoration of Democracy (MRD). Bhutto has not attended any recent MRD meetings and sources close to her say she is no longer prepared to allow smaller MRD parties to gain prominence on the strength of the PPP's support.

Although a break-up of the MRD is not inevitable, there is considerable confusion over the question of opposition unity. The attempts to reorganise the PPP have also resulted in inter-party quarrels and some former party stalwarts are contemplating an open split with Bhutto. The issues relating to MRD unity and PPP infighting have not detracted Bhutto from her campaign for elections by autumn. But she continues to lack a definite strategy to secure the acceptance of her demand.

JAPAN

After the deluge

Japan's political scene has been drastically, and perhaps even permanently, transformed by the outcome of the 6th July double election to the upper and lower houses of parliament, even though one of the most obvious questions at stake in the election, the political future of prime minister Yasuhiro Nakasone, remains unanswered. The Liberal Democratic Party's (LDP) unprecedented 304-seat win in the lower house represents a personal triumph for Nakasone, who had insisted on staging the election against advice from inside his own party.

Conversely, at least two of Japan's four major opposition parties may never look quite the same again. Although the two most tightly organised parties, the Japan Communist Party and the Komeito (clean government) Party, managed to hang on to their pre-election strengths in the lower house, or to something close to them, the results were a stunning blow both to the Japan Socialist Party (JSP) and its smaller (and more right wing) rival, the Democratic Socialist Party.

With the opposition holding less than two-fifths of the seats in the post-election lower house, the comment of one analyst that the parliament has become a rubber stamp for decisions made by the LDP's political affairs research council sounds depressingly near the truth. No less apt is the suggestion that in making Nakasone himself, rather than any particular economic or political issue, the main subject of its campaign, the JSP completely misjudged popular feeling.

The voting public may or may not have agreed with the JSP's allegations that Nakasone "lied" during the complicated manoeuvring which he was obliged to undertake before the government was able to stage elections to both houses on the same day. The question of Nakasone's honesty, however, clearly took second place to that of whether the JSP or other opposition parties had anything to offer by way of an alternative to current government policies. The voters who answered this question with a firm "no" seem to have included even the hundreds of thousands of small businessmen whose prospects have been threatened by yen appreciation and the downturn of the domestic economy.

Good management. The impression of firm leadership which Nakasone managed to convey during his stumping tours, as compared with the opposition's preoccupation with mud slinging, may have been the biggest single factor in inducing floating voters to go out and vote for the LDP, while opposition supporters apparently stayed at home in droves. Good management obviously played a part too.

By staging elections to both houses of parliament on the same day, the LDP almost certainly spiked the guns of smaller opposition parties who had planned to stage no-combat agreements in many lower house constituencies. The interest aroused by a double election would seem also to have increased voter turnout, traditionally a favourable factor for the LDP. But none of this would have helped much without rigid self-discipline in the ruling party's selection of candidates, particularly in larger multi-member constituencies.

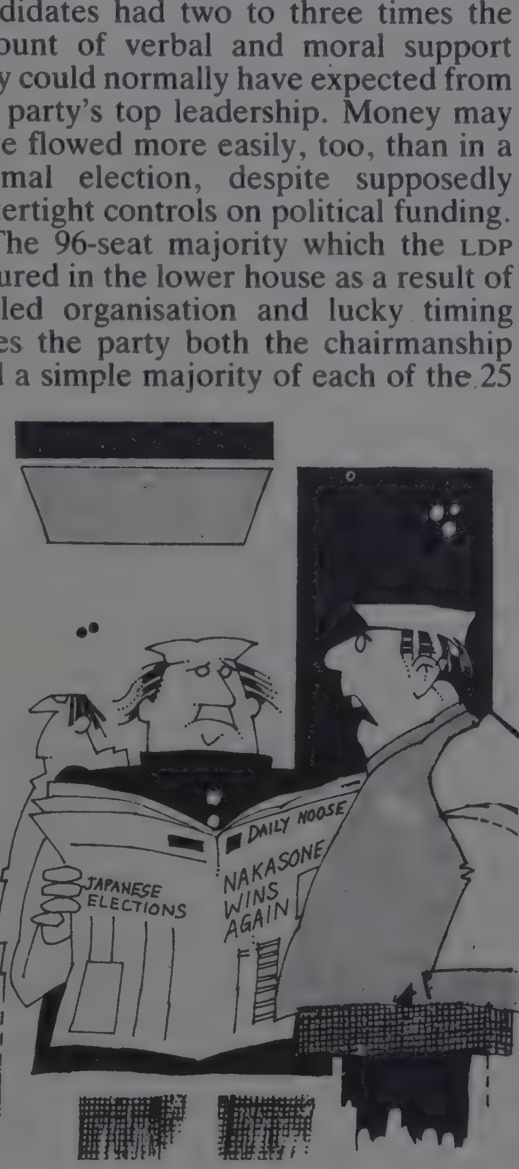
In the December 1983 election campaign when the LDP suffered a nearly fatal setback, losing 34 seats and winning less than a simple majority in the 511-seat lower house, the party involved itself in numerous vote-splitting battles by the simple process of allowing leaders of individual intra-party factions to put up far more candidates than had any reasonable chance of getting elected. In the run-up to the 1986 campaign, this lesson was apparently borne in mind.

LDP secretary general Shin Kanemaru rationed the total number of approved candidates to a mere 320—only 20 more than were actually elected—and was even successful in limiting the number of those who ran as conservative independents after failing to get a place on the LDP ticket. The result was a very limited number of split campaigns and a sharp fall in the numbers of conservative candidates who almost made it. Conversely, a number of LDP candidates who were victims of the 1983 setback successfully fought their way back into parliament.

A matter of luck. A final factor in the LDP's lower house triumph, which may have been a matter of luck rather than good management, was the controlled tension generated by the presence of three would-be successors to the party leadership. The three new leaders who hope to succeed Nakasone as LDP president and, therefore, as prime minister when his current term of office expires in October, all saw the election campaign as a chance to prove their mettle—not only in their own constituencies where two out of the three won a record number of votes, but also in cross-country stumping tours that duplicated Nakasone's.

The result was that rank and file LDP candidates had two to three times the amount of verbal and moral support they could normally have expected from the party's top leadership. Money may have flowed more easily, too, than in a normal election, despite supposedly watertight controls on political funding.

The 96-seat majority which the LDP secured in the lower house as a result of skilled organisation and lucky timing gives the party both the chairmanship and a simple majority of each of the 25 lower-house committees—a prerequisite for stable management of parliament or, in cruder terms, for an excuse to pay relatively little attention to opposition views when preparing routine legislation such as the budget. But the mere attainment of control over the lower house committee system seems unlikely to be the main consequence of the LDP's avalanche.



"Another depressing triumph of Japanese management"

By winning an overwhelming, rather than just an adequate, majority the ruling party may have acquired an ascendancy over both the opposition and over Japan's middle-of-the-road bureaucracy that will enable it to put forward controversial legislation such as a previously mooted official secrets bill, which had to be shelved in the previous 'hung' parliament. Less controversially, the LDP seems likely to be able to exert far more weight in steering economic policy from now on than was possible in the old days of domination by the cautious men at the finance ministry and the Keidanren, Japan's association of big business leaders.

The possibility that some of the LDP's more authoritarian instincts might be given freer rein as a result of the landslide presumably explains why JSP chairman Masashi Ishibashi claimed to be "frightened," rather than just disappointed by the election outcome, in an interview given immediately after the last results were published. Nakasone however seems to have taken pains to counter these fears in his own post-election press conference. His comments on this occasion included the promise that the LDP would take extra care to exercise "humility" in the wake of the election result, which might go to the heads of some party members.

Transformed position. Whether Nakasone really feels the humility in the face of the LDP's success can only be guessed at. But there seems very little doubt that the result has transformed the prime minister's position inside his own party as well as, and perhaps even more than, with the nation at large if only because of his uncomfortably close identification before polling day with what was seen as the double election gamble. He won the gamble and sent his own stock soaring.

What may have boosted the prime minister's position even more is the strong showing in the lower house polls of the LDP's Nakasone faction—the group of MPs who regard themselves as constituting Nakasone's immediate personal following. Before the poll, the Nakasone faction was ranked as the third largest of the 'big four' LDP factions, with one more member than the faction supporting former prime minister Takeo Fukuda and four less than the following of former prime minister Zenko Suzuki.

Post-election factional rankings are subject to revision since not every newly elected member of the lower house reaches an immediate decision on which group he should join. But initial estimates place the Nakasone group in second or equal-second position, ranking level with, or ahead of, the Suzuki group, though still far behind the top ranking faction of former prime minister Kakuei Tanaka. This is a far cry from the position on the eve of Nakasone's premiership in 1982, when the Nakasone group was regarded as one of the less significant groupings on the fringe of the parliamentary LDP, while the Suzuki faction was at the centre of the conservative mainstream.

The paradox of Nakasone's position is that the man who undoubtedly deserves the main credit for the election victory will step down from his party's presidency, and thus also from the prime ministership, at the end of October barring an unprecedented change in the rules governing the re-election of party leaders. Nakasone has repeatedly said that he has no plans to do anything but abide by party rules, which limit holders of the LDP presidency to a maximum of two consecutive two year terms in the interests of securing a fair share of power for each of the major factions.

His statements, if taken at face value, would seem to mean that he is resigned to taking his place among the party's already fairly numerous elder statesmen, who include no less than three former prime ministers. But his real intentions may be a little more fluid than the official record suggests, particularly now that the election has transformed his position in the party.

One possibility, according to LDP watchers who have paid attention to the nods and winks of Nakasone's staff on the succession question—as well to the prime minister's own on-the-record statements—is that Nakasone might seek a temporary extension of his current term when the time to step down approaches. This would be done ostensibly to allow him to complete work in a number of urgent programmes, such as tax reform and the privatisation of Japan National Railways.

A second possibility is that a bandwagon might start to roll within the LDP in favour of a full third term before the time comes round for the leadership elections. A third term would require a fullscale revision of the rules governing elections to the party presidency which, in turn, would need the approval of a two-thirds majority of the LDP's parliamentary members.

Charles Smith
(By special arrangement with the Far Eastern Economic Review, Hong Kong).

BANKING & FINANCE

Africa's distress signals

Though the spotlight is currently on Africa, the harrowing economic problems faced by the dark continent during the first half of the eighties—such as the slow destruction of the agricultural sector, declining standards of living; large scale unemployment, sliding commodity prices, a burgeoning external debt—were largely ignored by the international development institutions and the industrial countries. At that time, more concerned with the Latin American debt problems which directly affected the financial health of a large number of American and West European banks, the problems of the African continent received little or scant attention.

Millions died in Africa because of hunger; yet, the international term lending institutions or affluent nations were loth to mount a concerted attempt to alleviate the miseries of the estimated 370 million people in the African continent who have received the rawest deal in human history. The consequences of Africa's tragic history are still being visited upon its people. In the words of Robert S. McNamara, the former president of the World Bank who in November 1985 summarised the conditions in the African continent, "No set of statistics, however dramatic, can convey the level of human misery that exists and is increasing throughout the continent. The most helpless victims are the children. It is they who reflect most quickly in physical terms, the fact that tens of millions of human beings are living, literally on the margins of life."

Famine relief camp in Ethiopia: the dream of a new Jerusalem in a shamble

Heartwarming phenomena. Yet, despite the general apathy, some initiatives emerged in late 1985 and early 1986 to involve the world with Africa's desperate state. Referring to the late 1985 Live Aid Concert and the early 1986 worldwide Sport Aid event Race Against Time, the *Financial Express* (10th June) noted in its lead article that efforts through the "love of music and sports ...invoked for awakening the consciousness of the relatively well-off sections of mankind are heartwarming phenomena. Both made effective use of the global reach of the electronic media to enact an almost ritualistic participation into a common experience of compassion."

However, the most demonstrative expression of the global concern for the blighted economic conditions in Africa was made in a specific purpose meeting of the United Nations General Assembly (UNGA) which lasted for almost a week beginning 27th May. The meeting was attended by representatives of almost all the countries of the African continent, those of the developing world and the developed world, as well as by representatives from the development institutions.

In an article in *Newsweek* (9th June), Ray Wilkinson explained the backdrop for the urgency of such a meeting. "At the birth of post-colonial Africa, Ghana's late dictator Kwame Nkrumah predicted that independence would lead to the 'new Jerusalem, the golden city of our heart's desire.' Today, in less than 30 years, that dream is in a shambles. Many Africans are poorer than they were under the colonial yoke. The continent is on the brink of an economic crisis so vast that many countries, according to their leaders, could eventually disappear. Clearly, there is a need for swift and drastic action to alleviate Africa's plight."

The deliberations of the meeting were as far encouraging as the professed resolutions and promises. African leaders accepted their mistakes and recognised the urgent need to correct their economic priorities and mobilise resources from within the continent. The industrial countries on their part accepted the $126 billion (Rs. 1,51,200 crores) financial package request put forward by the African nations for the five year period. Successive speakers representing the affluent OECD nations indicated their willingness to do their best to contribute $46 billion (Rs. 55,200 crores) out of the total amount to be spent during the next five year period, provided the African countries are willing to take certain hard decisions to reform their economies.

But when it came down to making the actual commitments, the industrial nations were rather hesitant in shelling out the largesse promised. Articulating the obvious disappointment of the representatives of the African nations, the London-based *Financial Times* (2nd June) commented editorially that "A lecture in Reagonomics by the US secretary of state, Schultz and a homily from Sir Geoffrey Howe, are not what African states, meeting at the United Nations last week to discuss the continent's economic crisis, either expected or deserved from two influential aid donors. The call by African countries for a major restructuring of their external debt and a greater support for reforms already under way deserves a more sympathetic response."

Highlighting the crisis. Quite clearly, the gravity of the crisis confronting Africa needs to be highlighted further to soften the attitude of aid givers. Fortunately this task is being undertaken by neutral agencies. For instance, in preparation for the UN meet on Africa, the Institute of International Economics (IIE) based in Washington had arranged a conference focussing on the African problems in February 1986. Likewise the *IMF Survey*, a bi-monthly publication published by the International Monetary Fund in its (2nd June) issue highlights the contributions of various writers on the subject and refers specifically to a paper contributed by Eduard H. Brau.

Analysing the principal elements that have contributed to the growth of external debt of sub-Saharan Africa in the decade ending 1985, Brau says that "the story... can be encapsulated in one statistic: the region's debt ratio (total external debt outstanding relative to annual earnings from goods and services) doubled in five years to slightly over 200% by 1983 and has remained at that level... this (deterioration) is without parallel among any other country grouping, including the large commercial borrowers in Latin America."

Brau singles out two factors which are largely responsible for this sad state of affairs. Firstly, outstanding medium and long term debt quadrupled between 1975 and 1983. Secondly, the export earnings of sub-Saharan African countries suffered sharp reversals after 1980, as export volumes dwindled or stagnated due to the recession in industrial countries, the severe drought in many African countries and as prices for non-oil commodities dipped. Secondly, the export earnings of sub-Saharan African countries (excluding Nigeria) remained at a level of about $25 billion (Rs. 30,000 crores) in each year from 1982 to 1985, "no higher in nominal US dollar terms than the average earnings in 1978-80, and substantially below the peak earnings of $30 billion (Rs. 36,000 crores) in 1980."

Earlier in this year, the World Bank had also warned that the recovery programme chalked out for the continent was in danger. As a response, the World Bank had recommended that low income countries in Africa will need at least $11 billion (Rs. 13,200 crores) a year in concessional aid flows during the four year period of 1986-90. Taking into consideration the pledges already made by the developed world, a gap of $2.5 billion (Rs. 3,000 crores) was identified by the bank. Of this outstanding amount, multilateral aid agencies at best will provide $1.5 billion (Rs. 1,800 crores). Thus, a gap of $1 billion (Rs. 1,200 crores) a year has to be bridged assuming that the quantum of available aid from the multilateral sources is at the maximum level.

Financial handicap. The London-based *Economist* (7th June) also pinpoints the financial handicaps confronting the African nations in their development effort. Firstly, an increasing reliance on official resources rather than on private sources of funds. "In 1980, African countries got close to $1.5 billion (Rs. 1,800 crores) net from private creditors. In 1985, there was a net outflow of $700 million (Rs. 840 crores). This matters. Many official lenders notably the World Bank and the IMF cannot reschedule their loans." Secondly, "the growing use of short term finance especially purchases from the IMF, which averaged SDR 1.1 billion (Rs. 1,850 crores) a year between 1979 and 1984. In 1985, African countries began paying the fund slightly more than they borrowed."

Thirdly, "the size of Africa's debt... is growing... Sub-Saharan countries owed something between $90 billion (Rs. 108,000 crores) and $125 billion (Rs. 1,50,000 crores) at the end of 1985... Between 1980 and 1985, the ratio of debt service to export earnings tripled to almost 35%. If African debtors were to pay what is due in 1986 and 1987 (which they will not), they would hand over at least $15 billion (Rs. 18,000 crores) a year," says the *Economist*.

Against this backdrop it is obvious that African countries will need to be granted a greater degree of financial indulgence by the international term-lending institutions. Some international economists have also suggested that a portion of the debt payable should be written off and the remainder should be paid over longer periods of maturities and at a much lower rate of interest than contracted.

The document presented at the UNGA conference by the Organisation of African Unity outlining the programme of economic recovery in Africa had specifically asked for a substantial write-off of the country's external debt. However, given the strong views expressed by Paul Volcker chairman, US Federal Reserve Board, recently (even though his remarks were made in the context of Mexican debt problems) the chances of a massive debt write-off seems remote.

Yet the debt write-off proposal is gaining momentum. At a conference of international bankers in Washington on 23rd June, former West German chancellor Helmut Schmidt remarked that the third world's debt will never be paid back and that "loans to the poorest among them should be written off." Volcker immediately retorted that "that kind of approach is a dead end... all (of the borrowers) have a large stake in servicing the debt... I simply think the case for maintaining continuity (in debt service) is overwhelming."

"More vulnerable." But despite the cynicism it is overwhelmingly apparent that something more concrete than expressions of goodwill is needed to ensure that African nations which have initiated reforms in their economies are assured of cash flows on a sustained basis so as to counteract natural disasters. Writing in the *International Herald Tribune* (28th May), James H. Scheueur puts the issue clearly in perspective. "Africa is becoming more, not less vulnerable to disaster. Unless major remedies are instituted, the cyclical ravages of famine will return. Ten years of annual population increases exceeding 3% across the continent, accompanied by increases of only 1% in per capita food production, have reduced the food supply available to every Afri-

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can by 20% over the last decade."

On their part, several African countries are making genuine efforts to revive their economies. According to a report in the *Financial Times*, London (27th May), "14 countries (in Africa) have substantially increased crops prices paid to farmers, 11 are in the process of reforming or divesting state owned enterprises, 11 are committed to reduce government spending levels, 10 have devalued their currencies, eight have reduced subsidies on consumer goods while seven have decontrolled some or all consumer prices."

To enable at least these African nations which have learned the lessons of flirting with populist socialism to remain on the recovery path, the $126 billion economic development plan for 1986-90 submitted at UNGA towards end May 1986 needs to be given a more meaningful backing by western donors and multilateral development agencies.

The message is loud and clear, and is endorsed by the *Financial Times* (2nd June): "Africa's attempts to help itself will fail without additional resources in the form of new aid and debt relief." This is a timely note of warning that the industrial world and donor countries can ill afford to ignore because in an increasingly interdependent global economy, no man—or nation—is an island unto itself.

MGK

AGRICULTURE

Rationalisation plea

Nearly three-quarters of the third world's population are farmers, but government policies in most developing countries discriminate heavily against farming. In the industrial countries, agriculture is universally protected and subsidised, although only 9% of the labour force works on the land.

These curious paradoxes not only costs the world economy a minimum of $40 billion (Rs. 48,000 crores) per annum—they also help explain why malnutrition can remain endemic in most developing countries while the US government pays its farmers to leave their wheat fields fallow, and food stocks big enough to feed the whole of Africa five times over pile up in the silos and cold stores of Europe, America and Japan.

During the last few years, such contradictions in agricultural policy have moved to the centre of attention worldwide. Even in the industrialised countries with the most powerful farm lobbies, such as France, the US and Japan, politicians have become uneasy about the budgetary costs of ever-growing subsidies and the perennial threat of agricultural trade wars. The US government has become aware of an even deeper problem—the manifest failure of its farm policies to achieve their main political objective, to protect small farmers and their bankers from financial disaster and to preserve the sturdy rural lifestyle of the American dream.

Indian farming scene: heavy yoke of government policies

New initiatives. In the third world, meanwhile, the famines in Africa and the debt crises in many other countries have exposed government development policies to unprecedented international probing and underlined their failures particularly in their impact on domestic food production and agricultural trade. As a result of these developments, international economic conferences are seething with new initiatives on agriculture. The main aims are to liberalise agriculture in the industrial countries, and to promote higher farm output in developing countries. These two currents of change have now acquired a powerful, if not unstoppable, momentum, although questions are rarely asked about the ways in which they may interact.

How, for example, will the US government's wish to promote American grain exports correspond with the decisions of third world countries to step up their own food production, thereby curbing imports and boosting their exports to the rest of the world? Should African countries which are trying to encourage domestic farmers with higher prices, open their borders to unrestrained cheap food imports under a more liberal regime which is set internationally for farm trade?

The World Bank, which has been the key institution promoting changes in agricultural policy in developing countries, has today (9th July) published an analysis designed to answer such questions. By devoting the bulk of its annual World Development Report to agricultural issues, the bank has tried to put together a detailed case for worldwide agricultural liberalisation, based on the mutually reinforced benefits which it would generate for both the developing and the industrialised world.

Ironically, the report is at its most persuasive when illustrating why free markets in agriculture may be no more than a pipe dream—and certainly that they are many years, or even decades, away. The report documents the extent to which developing countries pay their farmers below world market prices for farm products while farmers in industrialised countries almost invariably receive more than their products are worth in world trade.

In view of the current perversity of world trade flows, it is not surprising that large economic gains can be predicted for both developing and industrialised countries from liberalising agricultural trade. If all countries exposed their farmers to world market prices for the main temperate-zone foods—grains, rice, meat and dairy products—the World Bank estimates that developing countries' national incomes would rise by $18 billion (Rs. 21,600 crores) annually while the industrialised countries would gain $46 billion. The only losers, by a margin of $23 billion annually, would be the Eastern bloc countries (excluding China), which are the biggest beneficiaries of the dumping of the West's food surpluses on world markets.

The industrial countries' gain can be broken down into a benefit of $104 billion (Rs. 1,24,800 crores) to their consumers from lower domestic prices, partly offset by their farmers' $56 billion loss. For the developing countries, in contrast, the main gains would go to the farmers, who would receive much higher farm gate prices. Third world consumers would tend to suffer higher prices, but their losses would be much smaller than the gains of farmers, who would be able in a liberal regime to grow more food as well as charge a higher price.

Such calculations seem to present a simple case for international trade liberalisation. But the World Bank's model also illustrates the more elaborate issues which might arise if the industrialised and developing countries freed their markets in an uncoordinated manner. Furthermore, the World Bank points out that all its figures underestimate the full advantages of liberalisation because they concentrate only on temperate-zone products and fail to take account of long-term efficiency gains as investment throughout the world is redirected to more productive uses.

They do, however, illustrate a surprising point. The third world and the first world both, in theory have a greater interest in liberalising their own agricultural policies than in trying to force freer markets on each other. The reason for this is simple, but politically explosive.

The main benefits from agricultural liberalisation in the West come from cutting the incomes of farmers in places like Lincolnshire, Hokkaido and Minnesota. The main advantages for third world countries come from raising food prices to urban consumers in Lagos, Mexico City and Manila. This awkward political reality is the prime obstacle to the introduction of agricultural policies which would make more efficient use of the world's resources. It is essentially an issue of income and wealth distribution to which the broader arguments about free market policies and the role of th government in the economy are onl tangentially relevant.

Like most western proponents o agricultural reform, the World Ban makes this point, but then sidesteps it i favour of a less than rigorous attack o the complex economic arguments whic are sometimes advanced in favour o farm regulation. The bank argues, fo example, that stabilisation of foo prices through government marketing i an excessively costly policy in bot industrialised and developing countries

The real drawback of the World Bank's approach is that the economic complexity of its analysis of such peripheral issues as state intervention in fertiliser marketing distracts attention from its central political message about the need to redistribute income away from farmers in industrial countries and towards farmers in the third world. The price mechanism may be assigned a crucial role in this, but whether the transfer is performed entirely by market forces or remains under government control is a peripheral issue. What matters more is that political consti-

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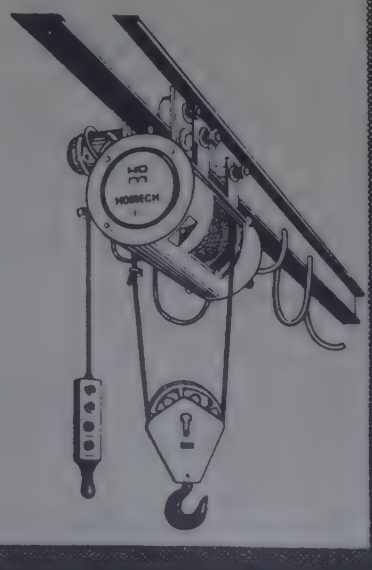

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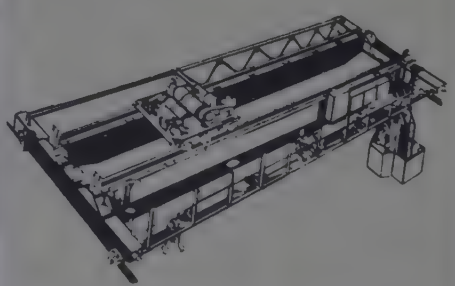

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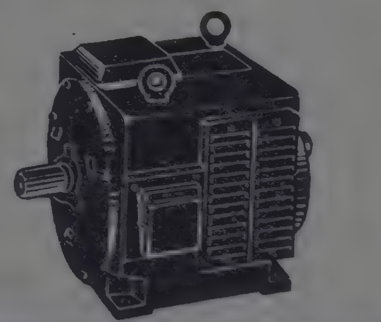

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tuencies in both the West and in developing countries come to understand more fully the true distribution of benefits from present distortions of agriculture markets.

Ultimate beneficiaries. In the industrialised countries, it is not the poor family farmers who gain from agricultural protection and subsidies. Within the agricultural community the benefits of higher prices go disproportionately to the large industrialised farms. But even more important, the ultimate beneficiaries of agricultural protection and subsidies are not the tillers, but the owners, of agricultural land.

This basic economic observation explains the seeming paradox that many working farmers, particularly in the US have lost their livelihoods as subsidies have mushroomed. The steep rise in US land prices since 1970 has coincided with a big drop in the rate of return in agriculture—US farmers are now going bankrupt essentially because they mortgaged themselves to the hilt to buy land at excessive prices. If US and European farm prices fell drastically towards unsubsidised world levels, the ultimate losers would be landowners and banks which have lent on the collateral of agricultural land.

In principle, there is no reason why agricultural policies could not be designed to impose losses on land prices, while providing income support for small farmers. In the third world countries, the central issue of agricultural reform is the precise converse of this process. Low farm prices provide subsidies for relatively wealthy urban consumers and, even more important,are a way of taxing agriculture, which is frequently the country's main economic activity.

In order to raise farm prices, governments need to target food subsidies to the poorest urban consumers and reduce the privileges of the better-off. They must also find alternative sources of tax revenues. The most obvious such source, as the World Bank points out, would be a tax on land values.

If such taxes were imposed, the overall effect of higher farm prices in third world countries would be a massive redistribution of income from the richer urban consumers and landowners to the poorest members of society, namely the smallholders and tenant farmers. Similarly, a shift in Western agricultural policies away from farm protection and subsidies would redistribute wealth away from the rich particularly if the effects could be concentrated on agricultural land prices, instead of the incomes of small farmers.

Thus a transfer from the rich to the poor is one thing which rational agriculture could achieve throughout the world. A cynic might say that this can explain immediately why all the paradoxes and distortions in international agricultural policy have proved so enduring.

Anatole Kaletsky
(By special arrangement with the Financial Times, London)

UNITED STATES

Space programme troubles

Suddenly, the great American dream of dominating inter-planetary space blew up in a fiery explosion that claimed seven precious human lives and grounded the US' much talked about space programme for the next 12 months. On 28th January, after 24 flawless shuttle launches, the US space shuttle Challenger exploded seconds after take-off due to mechanical problems, stunning millions of television viewers who witnessed the tragedy live on their screens.

Then, on 18th April, the top brass of the US Armed Forces (USAF), rubbing their hands with glee at the prospect of having yet another 'Big Bird' spy satellite to keep an eye on the Soviets, were instead dismayed to see their trusty Titan rocket explode at the Vandenberg Air Force Base. After nine perfect flights, this was the second successive Titan failure within a year.

The final crunch came on 3rd May when that old time favourite, a Delta rocket, first launched in 1960, had to be destroyed through remote control by NASA after its main engine packed up and the vehicle, carrying a hurricane spotting satellite, tumbled uncontrollably back to earth. This third successive disaster in five months has brought to an abrupt halt the US space programme, at least for the foreseeable future, and has punctured America's hopes of winning the space race. Indeed, in the US public mind, these successive disasters have strengthened a sneaking suspicion that man's (read US) mastery of space is still a long way off.

Yet, the more significant aspect of these disasters is that they have exposed the precarious assumptions that President Ronald Reagan's Strategic Defense Initiative (SDI) rests upon, with experts all over the globe urging a re-examination of the character of the US space programme which is undeniably militaristic. The White House, stung by sharp criticism from experts and the lay public, recently appointed a presidential commission headed by none other than former US secretary of state William Rogers (whose trouble-shooting capabilities earned him the gratitude of a long succession of US presidents from Truman to Nixon) to evaluate the programme and recommend changes if needed.

Bureaucratic cancer. Although Rogers swung into action with characteristic efficiency to the refrain of "We have to be back in space," the numerous sittings of his 10-person team soon revealed that a bureaucratic cancer pervades National Aeronautics & Space Administration (NASA), the all powerful monopoly agency which administers US space operations. As Rogers told newsmen in New York, when he was informed that NASA technicians had based their clearance for the tragic Challenger mission on the premise that there was no conclusive data that could have indicated cancellation of the flight, he was justifiably perturbed.

The consensus of opinion in the US media is that the problems of the US space programme are rooted in the organisational structure of NASA, which is headquartered in Washington and has operational wings in Houston, Florida and Alabama. The Rogers Commission described the organisation as being loosely structured with diffused lines of command and accountability. Reporting procedures are also weak, according to the commission, which seemed to infer that this deficiency may in fact have been directly responsible for the shuttle disaster.

The problem of the 'O-rings' which caused the Challenger to blow up had in fact been noticed and recorded as early as 1978, along with the notation that no solution had been found despite $2 million having been spent for this very purpose. Yet, before every shuttle flight, NASA managers ignored this potential source of problems as well as, amazingly, 748 others in order to keep the space programme on schedule. The tragic outcome was inevitable.

Yet, the recent disasters are not without their beneficial effects, in that they have evoked a re-examination of the very rationale behind the shuttle flights in particular, and the space programme in general. Even as President Reagan sent out signals that he may soon decide to build a fourth shuttle orbiter at a cost of $3 billion to replace the Challenger, these are unlikely to be anything more than

INVESTMENT OPPORTUNITY

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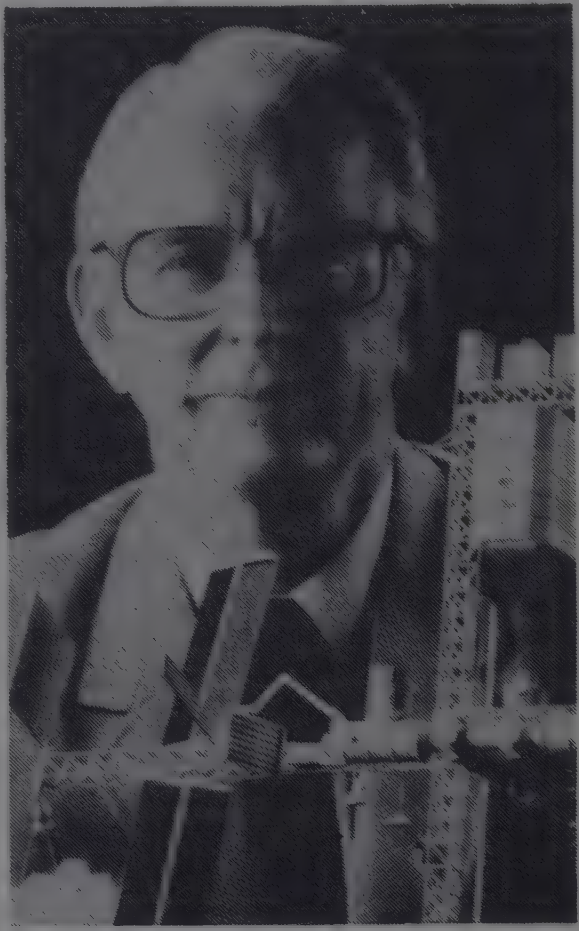
attempts at bravado. In early June, the space board of the US Academy of Sciences issued a report that virtually demanded the scrapping of the shuttle programme, favouring instead the development of a new generation of unmanned rockets to thrust satellites into orbit.


Fletcher: questionable confidence

The agency's newly appointed administrator, James Fletcher (66), is, however, bursting with confidence and expects to be able to resume shuttle flights by July 1987. According to him, NASA's Delta and Titan rockets could be operational once again as early as December this year.

Fletcher's optimism is however not shared by *Time* (9th June 1986) which was quick to point out that "Under any circumstances, Fletcher will be hard-pressed to meet his deadline for relaunching the shuttle...NASA has identified about 50 potentially dangerous faults that will require remedies before a flight can be scheduled. They range from longstanding braking problems that have made many landings risky ventures, to a basic question about the reliability of the orbiter's three main engines." Indeed, the plethora of problems that confront the shuttle programme has suddenly raised doubts about its continued efficacy.

In at least one touchy area, the curtain is likely to be rung down—that of carrying civilians into space. Re-
portedly, most astronauts told the R
ger Commission that civilian passenge
were operational liabilities.

Excessive dependence. Perhaps the ma
criterion that will determine wheth
the space shuttle programme will su
vive in its present form is its usefulne
to the Pentagon which is already wo
ried about the US' excessive dependen
on shuttles to launch satellites. Accor
ing to the USAF, even if shuttles resum
operations next year and make a
improbable 18 flights a year, these w
still not be adequate. Pentagon analys
estimate that unless additional fligh
are made available there will be
defence payload backlog of some 4
flights by 1992.

At the other end of the scale, th
report of the National Academy
Science deplores the fact that the use
the shuttle has crippled serious scientif
projects such as sending the satelli
probes Galileo and Ulysses to th
planet Jupiter. Indeed, the last maj
peaceful space mission launched by th
US was that of Voyager II, boosted int
space by a Titan rocket in 1977. Th
transmission of the pictures of Uran
by Voyager II in January 1986 was th
only major space feat this year by NAS
By contrast, the USSR which does n
have a shuttle programme, already ha
a manned operational space statio
called MIR (Peace). In addition, th
load capacity of the new generation
USSR super rockets will soon cros
220,000 lbs—about four times as muc
as a space shuttle.

The limited load carrying capacity
the shuttle—which was earlier slotted
the US main load launch vehicle—h
also evoked considerable discussi
within the US space community on ho
the vast amount of hardware that will
required to build a missile-destroyi
system will be transported into space
and when it is ready. According
experts in the field, all the US rocke
that have been launched to date ha
probably lifted no more than a total
500,000 lbs of military payloads p
annum at a cost of some $3,000 per l
Yet, in the very first year of deployme
of a Star Wars system, some 2.6 milli
lbs of gear would have to be position
in space, the load increasing to
annual average of 4.4 million lbs
2000 AD. Obviously, these payloa
magnitudes are well beyond the l
capability of existing US rockets.

In order to stimulate thinking on th
as well as on other dimensions of t
space programme, a report was subm
ted in June 1986 after a year-long stu
by the National Commission on Spac
Headed by former NASA administrat

Thomas Paine, this commission appears to have been uninfluenced by the recent setbacks that the space programme has suffered. Calling for the colonisation of the moon and Mars over the next 50 years, the commission asked for research to proceed apace for the development of an aerospace plane, capable of taking off from runways and soaring into space, as well as for a new generation of reusable rocket-powered craft that could be placed in orbit with a single stage engine.

Heavenly scheme. The report also assumes that NASA would have an orbiting space station in position by 1994 which would then be expanded into a space port with other such ports being built at a later stage and deployed in increasingly distant orbits. And if observers from the developing world are doubtful about the benefits of this heavenly scheme, which would cost NASA at least $23 billion (Rs. 27,600 crores) by 2000 AD compared to its aggregate expenditure of $8 billion (Rs. 9,600 crores) till today, the 15 member commission had an unusually blunt answer. As Thomas Paine says, "Somebody will be mining the moon by the year 2005. The only real question is what language they will be speaking." Obviously, the US space programe is not without its missionaries.

In the ultimate analysis, the syndrome that has already afflicted the development of anti-satellite weapons is also likely to occur in the creation of an anti-missile space system. As Eric Raiten of MIT, writing in the French magazine *La Recherche* points out: "The new American anti-satellite system, that is the MHV, will soon be a threat to all Soviet satellites...The US would be in an advantageous position for only a short while because the Soviet Union will, in turn, perfect an anti-satellite weapon likely to be used in an attack on (US) satellites." It is therefore obvious that the present rethink on the US space programme could pave the way for a return to the peaceful utilisation of space. It is also clear that this is hardly a result one could gamble upon, given President Ronald Reagan's committment to his SDI.

Even as a debate rages in Congress about the $5.4 billion (Rs. 6,480 crores) that Reagan has asked for to fund the SDI in fiscal 1987, the memories of the six crew members and the schoolteacher who perished in the Challenger are likely to fade. But for the next one year, at least, their ghosts will continue to haunt NASA.

Anand P. Raman

LETTER FROM TUNIS

FRANCIS GHILES

Too long the helmsman

The cheer leaders are still there, so is the principal actor, but the play no longer draws the crowd.

The 12th congress of Tunisia's ruling Socialist Destour Party (PSD) in June brought together over 1,100 delegates who greeted the appearance of the 83 year old head of state Habib Bourguiba, with rapturous applause. Virtually none of the delegates was even born when the play started half a century ago. Bourguiba founded the Neo-Destour Party to fight French colonial rule in 1934 and has presided over his country's destiny for 29 years.

Tunisia has been among the Arab world's most stable countries and is one of the few where the army has not played a major role. Its stability helped contain Libya's expansionism and it has been a staunch ally both of France and the US.

A growing number of Tunisians, however, fear that the economic and social progress achieved in the past 30 years—the country, North Africa's smallest, boasts the fourth largest per capita income on the continent—is being jeopardised by what critics see as the cynical behaviour of the president and his immediate entourage. Ministers and senior officials come from an over-narrowing and ageing circle.

Habib Bourguiba has never liked his ministers to become too powerful. When he was in good health, this attracted little criticism because his leadership was felt to be strong and enlightened. But since 1969, a number of political heavyweights have been cast aside.

Lost credibility. The sacking of Mohamed M'Zali in July was perhaps a recognition by the president that his prime minister for the past six years had, in the two and half years since the bread riots of January 1984, lost much of his credibility. The view on the street, which in recent months nicknamed the prime minister *genarya* (artichoke)—his power and allies mercilessly plucked by the president—proved to be on the mark.

Within Tunisia itself, the degree of alarm at this situation varies greatly. The half of the country which lives outside the towns toils away, aware that farming has not been a major pre-occupation of the PSD since the aborted socialist policies of the sixties.

Those who live in the cities have not fared badly if they are lucky enough to have a job in a factory or the bloated civil service, although the going is getting tougher. The important middle classes, which traditionally constituted the backbone of the PSD, and of Tunisia, are resigned but increasingly anxious about the unstable political atmosphere.

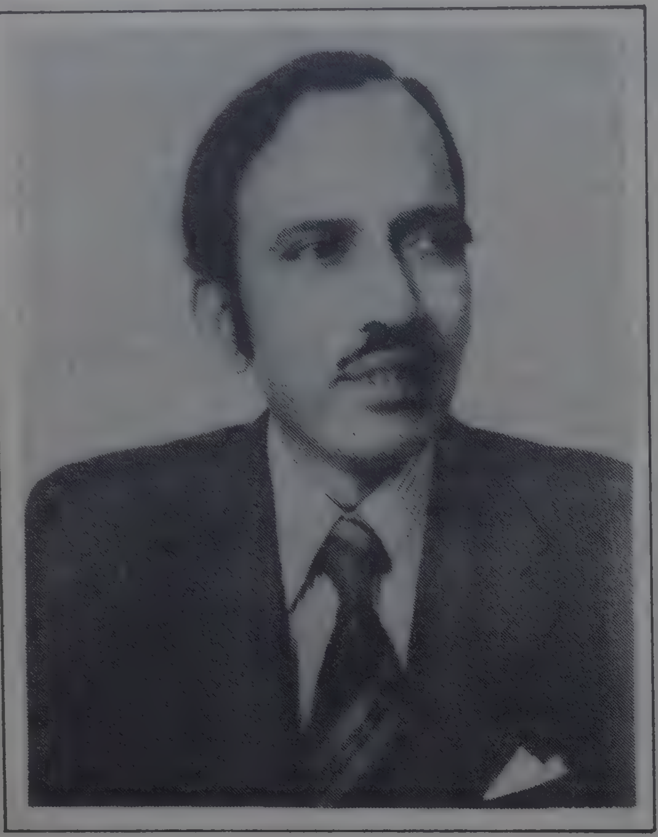
All this is happening at a time when the country's economic management is also coming into question. Tunisia was once held up as a model of development, but recently the World Bank has commented adversely on several issues: too many capital intensive projects funded in the wake of the oil boom (oil exports account for nearly 40% of foreign income) whose justification looks increasingly dubious at a time of rising unemployment; large wage increases in the early eighties encouraged by M'Zali and not matched by any increase in productivity; a growing flow of imported consumer goods which has swelled the current account deficit; few encouragements for exporters; and an overvalued dinar.

Another difficult issue is that of corruption, against which the president decreed a campaign last December. But the campaign appears so far to have served to settle political scores rather than succeeded in clearing the air.

Growing unemployment. There is also a good deal of cynicism among ordinary Tunisians about calls for belt tightening from the PSD daily *L'Action*. Unemployment is growing and as people watch the daily repeats of President Bourguiba's speeches of yesteryear on television, some may be tempted to interrupt the play, as they so rudely did during the bread riots of 1984.

Demonstrations, be they ordinary Tunisians protesting against the Israeli air raid on the PLO headquarters last October or students shouting anti-US slogans after the US air raid against Tripoli in April, are severely repressed; a number of opposition party newspapers, tolerated since 1981, have been suspended for long periods.

In confronting the arduous task of selling austerity and reform to a people increasingly weary of their masters' political games, the new prime minister will need all the wit and conviction he can muster.



SANKAR
I C
CEMENT

Address by

Shri A.L.MUDALIAR, Chairman,

THE INDIA CEMENTS LIMITED

to the Shareholders at the

Annual General Meeting on 15.7.1986.

Let me begin by extending a cordial welcome to all of you at this Fortieth Annual General Meeting of your Company. The Annual Accounts and the Directors' Report for the year ended 31st March 1986 have been with you for some time now and with your agreement, I shall take them as read.

During last year, the Company achieved a capacity utilisation of 94% which is more than the Industry average and also the average of the Tamilnadu Cement Plants; sales rose by 10% and operating profit before depreciation and interest by nearly 14% and with lower tax liability, the bottom line profit after tax was Rs 5.5 Crores as against Rs 4.32 Crores in 1984-85. The profit for the year includes a sum of Rs 1.45 Crores received towards claim for higher consumption norm of coal and absorption of losses in the Foundry of about Rs 1.25 Crores.

The Indian Economic Scene

Since the last Annual General Meeting of your Company, there have been very significant developments in the general business scene in the Country. **The pragmatic accent in economic policy evinced by the Government of India has strengthened in a consistent manner. The central objective of policy appears to have been to seek an increasing market orientation of the industrial system. This in turn is placing a growing premium on efficiency and productivity of assets and people.**

There have been efforts towards creating a stable atmosphere for trade and investment by way of expounding a Long Term Fiscal Policy and the Foreign Trade Policy. Industrial Licensing is being continually liberalised and the search for simplifying the various procedural requirements goes on.

The efficacy of these policy initiatives is reflected in the good response of industrial production to them. According to official statistics, the rate of growth of industrial production has picked up to over 6% from the 5% or so registered last year. I believe that given the positive framework of policy, the 8% per annum rate of growth that is postulated for industry by the Seventh Five Year Plan will indeed be achieved.

Cement Industry—Scenario

In the case of the Cement Industry, the national production has climbed to nearly 34 Million tonnes which is over 13% above its level of 1984-85. The Seventh Plan target of 49 Million tonnes in 1989-90 is well within reach at such a tempo expansion. However, **the rising productive capacity in the Cement Industry also betokens intensification of competitive pressures.** In fact, in the case of your Company these pressures are felt in terms of influx of material from manufacturing units in Andhra Pradesh into Tamil Nadu and Kerala.

This situation provides the challenges before Companies such as yours and I would like to take this opportunity to sketch out the manner, in which your Company is facing up to these challenges. **Firstly, it has sought to keep costs under control while maintaining and strengthening the quality of production.** As the Profit and Loss Account details show, employee costs as a percentage of net total income have been maintained at the same level as in the last year although in absolute terms, these are of course well higher.

On the variable cost side, however, there have been other quite significant escalations. As you will have noted from the Accounts and the Directors' Report, **rising price of grid electricity—an annual feature, costs of petroleum products and railway freight on coal along with the price of coal have substantially increased your Company's costs. Your Company has been able to achieve cost reduction in the area of process control by changing material and fuel mix and increasing productivity.** The productivity enhancement through optimisation of operations and maintenance is the guiding philosophy. While your Company is continuously engaged in finding out areas of productivity improvement for neutralising the impact of cost inflation to the extent possible, there is a strong case for Government's improvement of the levy retention price in line with actual cost trends; hopefully such action to bolster the industry's viability will be forthcoming soon.

Government Levy Price Policy

The reason for some of the Cement Companies making profits is due to the high capacity utilisation achieved and the 'sickness benefit' granted by the government. If profits for such units are projected without these temporary reliefs, it would be clear to the 'policy formulators' that the Industry cannot survive on this basis.

As against a 12% post tax return earned in 1982-83 (first year of the decontrol scheme), the average return had come down to about 4% in 1985-86; with the reduction in the price of non-levy cement due to excess supply, the Industry which was realising hitherto economic price for its non-levy cement, finds it no more possible to neutralise the disadvantage of the unreasonably low levy price. It is, therefore, imperative that as in the case of the Fertilizer Industry, the levy price should be reviewed at pre-determined intervals and adjustments implemented as a matter of policy.

Cement Regulation Account

When the policy of partial decontrol was introduced, provision was made for the impost of Rs 9/- per tonne on Non-levy sale. This was meant to be a temporary measure to bolster the Cement Regulation Account which was in deficit. This Account is now in surplus and I would therefore appeal to the Government that this impost originally intended to be outside the mechanics of control should be immediately withdrawn.

Capital Investment

An important aspect to be noted is the heavy investments made by the Industry in the recent years by ploughing back the profits. **During the last 6 years, your Company has invested an amount of Rs 40 Crores in creating and expanding production oriented facilities.** The modernisation of quarries for increasing limestone output from captive quarries and the installation of Diesel Generator Sets to insulate the Company from Power cuts of up to 40% and adoption of pollution control measures deserve special mention in this regard.

Modernisation and Technological Upgradation

You may recall that in last year's Annual General Meeting, I had dwelt at some length upon the modernisation programme planned for your Company and especially the proposal to convert the Sankarnagar Plant from the current wet process to a modern energy-efficient dry process. I am happy to report good progress, of the plan. **The programme has been appraised by the World Bank and the viability has been confirmed by them. The Indian Public Financial Institutions have cleared your Company's application for loan assistance for the modernisation project, namely the installation of a new 3000 TPD Precalciner dry process Kiln adopting the latest technology at a cost of Rs 93 Crores, including interest charges during the period of construction to be capitalised.** The latter when completed, would confer a great deal of competitive technical edge to India Cements' business. The programme of financing this Project is under discussion with the Industrial Credit and Investment Corporation of India Limited who have been appointed as the Merchant Bankers. The assistance from the Financial Institutions will be supplemented by internal resources and share/debenture issues for meeting the total financial requirements. **The shareholders of the Company will be given an opportunity to participate in the scheme of financing.**

Still on the technical side, may I make a mention of the increasing concern of management effort for reducing wastes and loss. The Foundry Division is a case in point in this regard but the effort extends all through the Company. Much depends on the success of such work for better efficiencies.

It may also be mentioned here that in strengthening the technological base, your Company has consciously recognised the need for pollution abatement. This commitment to the 'quality of life' parameter is in reflection of the social responsibility of the industrial sector. Expenditure and effort continue to be directed towards this area.

Marketing

On the Marketing side, in order to better cope with the emergent challenges, the sales set-up has been reorganised. A Marketing strategy has also been worked out which aims at deepening the Company's presence in what it considers to be its home market. This strategy, it is believed, will help in optimum placement of the Company's product from a total sense. Zealous protection of the quality image of India Cements, of course, continues to be a cornerstone of marketing policy. It is, therefore, expected that the strong market position of your Company will be maintained.

Foundry Division

Since reopening in March 1985, several steps have been taken to modernise the old and obsolete machines in the Foundry to make the operations viable. The Board authorised investments in handling equipment, melting furnace, spectrometer, sand system and replacement of essential moulding machines. Frequent failures of the old sand plant and moulding machines made production of quality castings an extremely difficult task. During the year rejections of castings were high both at the shop levels and consumers' end; this coupled with a depression in the demand for automobile castings made it more difficult to contain the losses. It is expected that the benefit of the modernisation would be available from the year 1987-88 as the Division will have to bear higher interest charges and depreciation in the year 1986-87. The Management has taken several steps to contain the losses, minimise rejections and improve the productivity of the operations.

Organisation

Assisted by the input from a well-known Consultant in the organisational area, 'the profit centre' concept has successfully operated during the year resulting in greater cost consciousness and improved performance. **An "Audit Committee of Directors" has been constituted to establish the accounting policies of the Company and review the adequacy of internal controls including internal audit work.** They will also review with the Statutory Auditors their findings of the Company's operations.

Government Response

I have given you this brief resume of your Company's efforts in the technical and marketing areas in order to highlight what we see as the responses being expected from industry in the national programme for industrial growth. The Government's long term target is for 87 Million tonnes of cement production by the turn of the century and indeed volume of such magnitude will be called for if the Country were to meet the various objectives of construction, housing and industrialisation that have been postulated. Cement is, of course, a basic input for economic development and hence its importance as an indicator of the nation's progress. While Companies like yours are confident of playing their individual roles in the future scenarios, it is expected that Governments at the Centre and the State will also continue to impart their positive support and encouragement to the Industry in its pursuit of technical and marketing excellence. **Some of the desiderata I had covered in detail last year, for example the question of Government's levy policy, Mining Leases and taxes, etc. I do not wish to repeat them again but their relevance needs to be taken note of keeping in view the interest of the substantial work force employed in the Cement Factories and the social and economic development that has taken place around them.**

A measure of the confidence that your Company has in looking towards the future is provided by the fact that the rate of dividend has been raised to 22% for the year under review. While the improved state of your Company's finances obviously reflects the better working results, there is also a fair measure of the optimism which underlies our approach to future prospects.

Employees' role

In enabling these better results to be achieved, the entire team of management and other staff and workers have put in very considerable efforts. I would like to record particular appreciation of the leadership provided in the team by the Managing Director Sri T.M. Thomas who has now retired from the Board on completion of his term of office. Sri T.M. Thomas has been a tower of strength in the organisation demonstrating sterling qualities of energy, ability and drive. In his place, Sri P.V. Rajaraman, IAS, has been appointed Managing Director and I and my other colleagues on the Board are confident that Sri Rajaraman with his demonstrated leadership abilities in diverse areas of administration and management, will take India Cements to greater heights in terms of performance and corporate excellence.

Finally, may I place on record our appreciation of the support we have received from the Financial Institutions and the Union and State Governments during the year. I would also like to thank all employees for their hard and dedicated effort.

Thank you!

N.B.: This does not purport to be a record of the proceedings of the Annual General Meeting.

DEFENCE INDUSTRY

Lockheed downs Sanders

■ The Calabasas (California)-based Lockheed Corp. (sales: $9.54 billion or Rs. 11,448 crores in the year ended 29th December 1985) has signed an agreement with the Nashua (US)-based military electronics firm Sanders Associates Inc. (sales: $88.6 million or Rs. 106.32 crores in the year ended 26th July 1985), to take over the latter's assets for about $1.2 billion (Rs. 1,440 crores). Lockheed has offered $60 for each of Sanders' 19.6 million shares, topping the sweetened bid of $50 per share from New York-based Loral Corp., another major electronics company.

According to Lockheed sources, Sanders will form the core of an electronics equipment manufacturing group to be built up by Lockheed.

This deal could well be the beginning of a trend among other firms in the US defence industry to look for similar acquisitions of military electronics businesses in anticipation of major cuts in the next US defence budget.

CONSUMER PRODUCTS

Pepsi bags Seven-Up

■ The New York-based PepsiCo Inc. (sales: $8.48 billion or Rs. 10,176 crores in 1985) has recently acquired the international division of its rival, Seven-Up Co. for $246 million (Rs. 295 crores) in cash from the latter's parent company, the New York-based Philip Morris Inc. (sales: $12.14 billion or Rs. 14,568 crores in 1985). Seven-Up's international division has operations in 85 countries worldwide and has been performing well in recent years. The acquisition will place Pepsi in a stronger competitive position *vis-a-vis* its arch rival Coca-Cola in the intensely competitive international soft drinks market, hitherto dominated by Coke. Pepsi's international sales of 1.4 billion cases currently will increase by another 250 million cases as a consequence of the acquisition. Pepsi will also gain an edge in the lemon-lime segment of the worldwide soft drinks market which category accounts for two-thirds of soft drink sales outside the US, the remaining one-third consisting largely of colas.

AVIATION

Rolls-Royce's complex deal

■ One of the world's three leading aero-engine manufacturers, the UK-based state-owned Rolls-Royce Ltd. (R-R—sales: $1.881 billion or Rs. 2,257 crores in 1985) is close to finalising a financial package to enable British Airways (BA) to purchase a fleet of 16 Boeing 747-400 jumbo jet aircraft. The package, aggregating $2.3 billion (Rs. 2,760 crores) will be in the form of a revolving credit facility provided by a consortium of international banks to British Airways with Rolls-Royce standing as guarantor.

The R-R deal—described as one of the largest aircraft financing exercises in the UK in recent times—will however be clinched only if BA purchases R-R's aero-engines for its new fleet. BA has also invited tenders from two US-based aero-engine manufacturers, General Electric Co. of the US (GE) and Pratt & Whitney Ltd.

If R-R fails to win the BA engine order—valued at between £300 million (Rs. 555 crores) and £500 million (Rs. 925 crores)—its chances of going public early next year, when the British government plans to offer R-R for sale may be severely threatened.

There is, however, an intriguing twist to the prospective fortunes of R-R. Should BA favour the GE bid, R-R will not exactly be devastated, as it has a 15% stake in a collaborative venture with GE to build the very engine which GE hopes to sell to BA.

PHARMACEUTICALS

Du Pont's healthy purchase

■ The Wilmington (US)-based manufacturer of chemicals, E.I. du Pont de Nemours (sales: $35.91 billion or Rs. 43,092 crores in 1984), in a bid to strengthen its presence in the pharmaceutical industry has bought American Critical Care Inc.—a health care products and drugs manufacturing subsidiary of Boxter Travenol Laboratories, an Illinois (US)-based manufacturer of chemicals—for $425 million (Rs. 510 crores).

According to spokesmen of the giant chemicals company, "Du Pont has never made it big in health care. The company comes with a bright line of new products that will expand our business." American Critical Care's product line includes a new heart drug called Brevibloc, which is expected to be introduced in the market this year. Besides, the company also markets other drugs such as Intropin, for treating shock; Bretylol, to counter heart attacks; and Tridil, an intravenous nitroglycerin based formulation for dilating blood vessels.

BANKING & FINANCE

Lloyds Bank's abortive bid

■ The bitter takeover battle between the two largest banks in Britain, Standard Chartered plc (assets: $39.90 billion or Rs. 47,880 crores in 1984) and Lloyds Bank plc (assets: $50.96 billion or Rs. 61,152 crores in 1984) finally came to an end last month.

Lloyds, which had earlier acquired a 44.4% stake in Standard Chartered, needed an additional 5% of the latter's shares to gain control of the bank. However its £1.9 billion bid for Standard Chartered failed due to a last minute rescue of the latter by three large investors from Hong Kong, Australia and Malaysia, who were friendly to the Standard Chartered management and who acquired 40% of the company's shareholding. Had Lloyds succeeded, it would have created Britain's largest banking group.

Now that Standard Chartered continues to remain independent, its rescuers are likely to press for massive organisational changes in order to stave off future takeover bids.

ELECTRONICS

Philips' Taiwan deal

■ The Netherlands-based N.V. Philips Gloeilamperfabrieken (sales: $17.83 billion or Rs. 21,396 crores in 1984), has recently acquired a 27.5% stake in the Taiwan Semiconductor Manufacturing Co. Ltd. (TSMC) which is based in the Republic of China (Taiwan). The Taiwan government will own 48.3% of the equity of the company and the remainder will be offered to local subscribers.

TSMC will invest a total of $150 million to produce "high volume, high yield and low cost" very large scale integrated circuits (VLSIC). The new company will benefit both Philips and Taiwanese industry. For the latter, it will mean an expanded IC manufacturing base and access to advanced chip technology, while Philips' position as a supplier of ICS, particularly in the East Asian markets in which the demand for VLSICS is growing rapidly, will be strengthened as well.

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YET ANOTHER GEC FIRST

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That's IPCL – the flagship company. Leading the way in taking petrochemical technology to people. And taming complex, hazardous petrochemical reactions.

Integrating 16 modern technologies from different countries at one site, efficiently and safely to produce over 40 useful, cost-efficient products, relevant to the economy – plastics, synthetic rubber and fibre, detergents and chemicals.

A firm commitment to self-reliance that has resulted in the maximum use of Indian engineering, technical skills and hardware to design, fabricate, erect, commission and run all our plants.

A Rs. 30 crore Research Centre, continuously working to improve process economics and product quality.

The result. Over 90% capacity utilization. 22% reduction in specific energy costs in less than 6 years. New records for productivity and safety. And a daring breakthrough in the commercialisation of indigenous technology, to manufacture Acrylates and in the use of isomerising catalyst.

No wonder we think of ourselves as Path Finders.

Indian Petrochemicals Corporation Limited. (A Government of India Undertaking)

Shilpi IPCL 3/86

BusinessWorld
August 4—17, 1986

TATA STEEL

Ambitious programme

The Tata Iron & Steel Co. Ltd. (TISCO), the largest company in the private sector in terms of sales and assets, has planned a highly ambitious, expansion-cum-modernisation programme with a massive outlay of Rs. 3,000 crores.

With a view to part financing this five year (from fiscal 1986-87 to 1990-91) modernisation programme for which the company will incur an expenditure of Rs. 1,127 crores, the company's management has approached the Steel Development Fund for a loan of Rs. 500 crores and has proposed a rights issue of Rs. 200 crores. The balance will be met through internal accruals.

The programme also includes the setting up of another sinter plant at Jamshedpur in technical collaboration with Lurgi GmbH of West Germany besides increasing TISCO's existing annual production capacity from 1.74 million tonnes to 2.1 million tonnes. The company has already secured an industrial licence for this increased capacity and hopes to achieve an even higher annual production of 2.3 million tonnes of saleable steel by 1989-90.

The proposal will shortly be submitted formally to New Delhi. The expansion will be completed within 20 months after governmental approval is obtained, and will undoubtedly shore up the company's already enviable bottomline further.

POLYOLEFINS INDUSTRIES LTD.

Modernisation plan

Polyolefins Industries Ltd. (PIL), a (Arvind) Mafatlal group company engaged in the manufacture of high density polyethylene (HDPE) — a vital raw material for manufacturing plastics — and rubber chemicals, has launched a massive Rs. 350 crore modernisation programme pertaining to its existing plant and equipment. PIL plans to expand the capacity of its HDPE plant located at Thane (Maharashtra) from 50,000 tonnes to 1.5 lakh tonnes per annum, and diversify into the manufacture of ethylene vinyl acetate, chlorinated PE, pre-vulcanising inhibitor and sodium MBT.

The programme, which is slated for completion within three years, will push up the company's sales from its 1985 level of Rs. 122 crores to over Rs. 500 crores by 1990 and boost gross profit from Rs. 15 crores to more than Rs. 50 crores.

To finance this programme, PIL is likely to make a rights issue in the ratio of 1:1 in September. Meanwhile, the company's half time (January to June 1986) performance and likely trends in the second half indicate that sales and profit during 1986 will probably rise by 15%-20% over the 1985 level thereby enabling the management to maintain the 20% dividend paid in 1985 despite the higher capital resulting from the proposed rights issue.

BLUE BLENDS

Growth stimulus

Blue Blends & Texturising Manufacturing Co. Ltd., a new Bombay-based entrant into the textile industry, has set its sights high by embarking upon a multi-locational plan of vertical expansion.

The tiny unit for texturising yarn begun in 1983 with a sales turnover of Rs. 3.75 crores in the first year ended 30th September 1983, has already emerged as a medium-sized company with the sales turnover for the current year expected to reach the Rs. 25 crore mark. In addition, ambitious growth plans to double the sales turnover of the company to Rs. 50 crores within the next two years have been drawn up.

The company is setting up a new weaving plant by installing 48 water jet automatic looms and a texturising machine at the total cost of Rs. 6 crores. Both these new units are under construction at Palghar and Silvassa respectively. The proposed expansion of the company's existing unit located at Murbad near Kalyan in Maharashtra, will also help the company to grow into a medium-sized growth-oriented company in the near future.

Companies this fortnight

(Rs. crores)

	Tata Steel (year ending March)			PIL (year ending December)			Blue Blends (year ending September)		
	1984	1985	1986	1983	1984	1985	1983	1984	1985
Sales	882.29	1,105.02	1,288.51	101.44	119.77	122.01	3.76	7.62	12.06
Gross profit	20.01	96.74	157.68	6.80	12.50	14.82	0.24	0.64	1.05
Paid-up capital	72.02	72.02	72.02	12.87	12.87	12.87	0.30	0.69	0.75
Reserves	160.61	230.24	302.17	12.86	15.53	16.02	0.15	0.54	1.15
Gross fixed assets	806.23	911.55	1,115.76	44.28	46.80	49.69	1.07	2.20	3.65
Dividend (%)	17.00	21.00	25.00	14.00	17.00	20.00	Nil	14.00	20.00
Earnings per share (Rs.)	27.79	117.66	130.15	26.43	41.44	23.79	5.02	6.66	10.10
Paid-up value (Rs.)	100.00	100.00	100.00	100.00	100.00	100.00	10.00	10.00	10.00
Market price as on 18th July 1986 (Rs.)			1,362.50			605.00			71.00

CITIBANK

Another innovation

The Bombay-based Citibank N.A. (assets: Rs. 385 crores in 1985), the Indian affiliate of Citibank Corporation, USA, has introduced yet another innovative financial instrument branded Citilife Certificate. Earlier this year, the Indian affiliate bank had set up a consumer services division which has proved to be a successful innovation.

According to a press release issued by the bank, the new instrument is a 'renewable one year time deposit' for non-resident Indians (NRIS) at the prevailing interest rate of 8½%, which simultaneously provides life insurance cover at "low premium rates under a group policy obtained by an overseas branch of Citibank." According to bank spokesmen this scheme has been repeatedly suggested by NRIS for whom it is ideal as it protects a depositor's legal heirs (from ages 18-60) against death resulting from sickness, accidents or war conditions, without any medical check up or extra formalities for a sum equal to the maturity value of the deposit.

HOECHST INDIA

New vaccine

The well-known Bombay-based drugs, pharmaceuticals and agrochemicals manufacturing company Hoechst India Ltd. (sales: Rs. 140.86 crores in the year ended 31st December 1985) will soon market a newly developed imported anti-rabies vaccine under the trade name Rabipur. The vaccine has been developed by Behringwerke AG, West Germany (a technical collaborator of Hoechst AG West Germany).

Produced on a substrate of purified chick embryo cell (PCEC) tissue, the vaccine is touted as being much safer than the Semple vaccine currently manufactured in India and almost as safe as the human diploid cell (HDC) vaccine which is imported from France. The new vaccine costs about Rs. 90-95 per dose *cf.* Rs. 340 per dose for the HDC vaccine, six doses of which comprise a complete treatment.

According to Dr. M.R. Samuel, medical director, Hoechst India, the company proposes to import a batch of 50,000 doses of the vaccine which are expected to arrive in India soon.

However, the company has finalised a proposal to manufacture 2 million doses per annum of the vaccine at a new unit to be set up at Ankleshwar, Gujarat, by the end of 1987.

SICOM

Grievances cell

The State Industrial & Investment Corporation of Maharashtra Ltd. (SICOM — sanctions: Rs. 53 crores in the year ended 30th June 1986), a premier industrial development bank, has constituted a grievances redressal cell at its head office in Bombay.

According to SICOM officials, this cell has been constituted in order to make the bank's services more client-oriented. The cell is expected to improve the bank's image and help to attract prospective entrepreneurs.

PFIZER

Profit plunge

Pfizer Ltd., the Thane (Maharashtra)-based manufacturer of pharmaceuticals, has posted mixed results in its financial year ended 30th November 1985. While the company's sales turnover increased by 14.3% from Rs. 56.90 crores in the previous year (1983-84) to Rs. 65.04 crores in 1984-85, net profit declined from Rs. 2.89 crores in the previous year to Rs. 2.16 crores in its recently concluded year — a decrease of 25.3%.

However, the company's board of directors has recommended a final dividend of Re. 1 per equity share (Rs. 10 paid up) in addition to the interim dividend of Re. 1 per equity share paid earlier.

BAJAJ LEASING

Public issue

The New Delhi-based Bajaj Leasing & Computers Ltd. is entering the capital market on 18th August with a public issue of 6 lakh equity shares of Rs. 10 each for cash at par to finance its leasing activities along with other operations such as computer software development and export. The company, promoted in July 1985 by Bajaj Capital Investment Centre Pvt. Ltd., a firm of merchant bankers, recorded a turnover of Rs. 54.6 lakhs in the year ended 30th June 1986. Its board of directors has recommended a dividend of 16% for the year. Bajaj Leasing has leases worth around Rs. 15 crores in hand.

TATA-YODOGAWA

Better results

Tata-Yodogawa Ltd., the Jamshedpur-based company which

Some forthcoming public issues

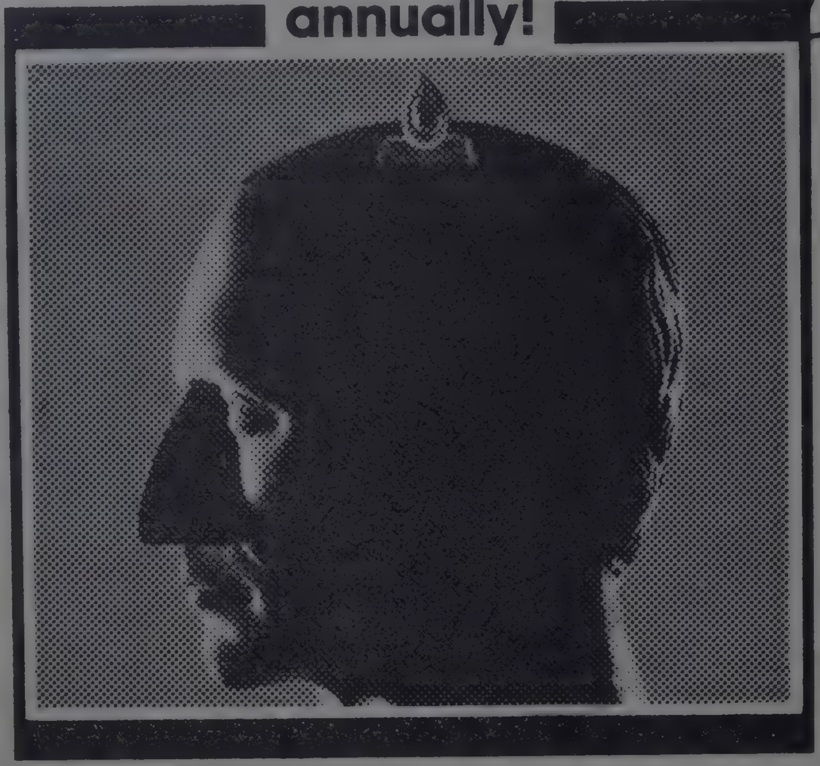
Company	Type	Date	Issue size (Rs.crores)	Purpose
Eastern Circuits	E	4th Aug.	1.11	Long term working capital
Victory Glass & Industries	E	4th Aug.	0.48	Part finance projects
Shri Ram Fibres Finance	E	4th Aug.	0.90	Long term working capital
Jagson Pal Pharmaceuticals	E	5th Aug.	0.74	Expansion and modernisation
Continental Construction	E & NCD	11th Aug.	35.20	Modernisation and diversification
Somplast Leather Industries	E	11th Aug.	0.60	Modernisation and diversification
Jindal Hotels	E	11th Aug.	0.84	Long term working capital
Taniwala Chemicals	E	11th Aug.	0.45	Expansion and diversification
Flexo Film Wraps	E	11th Aug.	0.30	Part finance projects
Century Tubes	E & NCD	18th Aug.	15.20	Expansion and modernisation

E=Equity, face value Rs.10, NCD=Non-convertible debentures, value Rs.100

Where technological excellence boils down to giant fuel savings.

Even a small 4T/hr IAEC boiler saves you over a lakh of rupees annually!

Convertible Debenture Issue open from August 1,1986.



Compare the economics:

	IAEC boiler	Non-IAEC boilers
Thermal efficiency (as guaranteed)	88%	84%-87%
Thermal efficiency (based on actual performance trials)	89%	max. 87%
Fuel consumption per ton of steam generated	63.20 kg/hr	64.65 kg/hr

Fuel savings = 1.45 kg/hr
= 1.45 × 24 × 300 kg/year (taking a total of 300 working days annually)
= 10,440 kg/year

Savings on annual operating costs, per ton of steam generated (at Rs.3/- per kg of fuel oil) = Rs.31,320/-. Thus even the small 4 T/hr IAEC boiler saves you over a lakh of rupees worth of fuel annually. How?

The IAEC 3-pass design provides for a larger heat transfer surface area when compared to other 3-pass design substitutes.

This minimises stack losses; maximises thermal efficiency; gives the IAEC boiler a 2% edge over its closest competitor.

The thermal efficiency can be further increased by incorporating IAEC's integral economiser, sonic burner etc.

Besides IAEC offers features that other manufacturers don't even talk about.

- **A longer boiler life:** IAEC boilers supplied over two decades ago are in top operating condition
- **Superior accessories and mountings**
- **Ready response to fluctuating load conditions**
- **Impeccable after-sales service**
- **An unrivalled range in the packaged construction: from 1 T/hr to 40 T/hr**

The fact that IAEC's clients have opted for its boilers time and again is yet another testimony of its dependability. Look at the repeat orders received from some of its clients:

Client's Name	Quantity
NDDB	43 Nos
NTC	10 Nos
ONGC	6 Nos
IOCL	7 Nos
Dept. of Atomic Energy	7 Nos
Century Enka	5 Nos
Bayer India	4 Nos
Khatau	6 Nos
Colour-chem	4 Nos

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Boilers from I.A.E.C. No.1 in more ways than one.

manufactures steel rolls and ingots has recorded improved results in the year ended 31st March 1986. Sales turnover at Rs. 23.08 crores was 22% higher than that of the previous year, while net profit increased threefold to Rs. 1.59 crores from Rs. 0.54 crores. However, because the prices of essential inputs such as steel metal scrap, power, graphite and electrodes rose steeply during the year, profit margins were somewhat lower than for the previous year. The higher sales turnover and profit figures were the result of a 11% increase in the production of steel rolls and a 56% increase in the production of billets.

The board of directors of the company has recommended a dividend of 20%.

E.I. HOTELS

Good year

The Delhi-based East India Hotels Ltd., one of the premier hotel companies in the country, has fared well during the year ended 31st March 1986. The company's sales turnover increased by 12% to Rs. 51.03 crores in 1985-86 from Rs. 45.68 crores in the previous year. Gross operating profit also rose by 11% to Rs. 17.88 crores from Rs. 16.12 crores in the previous year. Net profit was also higher at Rs. 7.32 crores *cf.* Rs. 6.85 crores in the previous year.

Based on these results, the board of directors of the company has recommended a dividend of 20% for the year 1985-86.

ROCHE PRODUCTS

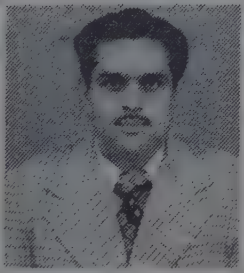
Better profitability

The Bombay-based pharmaceutical company, Roche Products Ltd., has reported good operational results for the year ended 31st December 1985. Though sales turnover at Rs.29.10 crores dipped slightly below the Rs.29.22 crores attained in 1984, gross profit at Rs.2.25 crores was almost double the 1984 figure (Rs.1.29 crores) and net profit rose four-fold to Rs.1.13 crores, *cf.* a mere Rs.28.33 lakhs in 1984.

According to R.A. Shah, chairman of the company, the stagnant sales performance was due to the fact that export orders received during 1984 were not repeated in 1985. Nevertheless, the board of directors has recommended an equity dividend of 11% for 1985 *cf.* 8% paid in 1984.

PEOPLE & PLACEMENTS

MINOO H. MODY has taken over as chairman, Tata Burroughs Ltd., Bombay



B.V. VENKATESH has been promoted as vice president (marketing), Wipro Information Technology Ltd., Bangalore

M.V. LAKSHMINARAYANAN has taken over as deputy general manager (cargo), Thomas Cook (India) Ltd., Bombay

S.N. AGARWAL has been elected president, the Greater Mysore Chamber of Industry

B. MANCHANDA has been appointed marketing manager, Eagle Flask Pvt. Ltd.

PRADEEP SARKAR has been appointed vice president (sales and marketing), Oberoi Hotels, New Delhi

MANUBHAI B DESAI has taken over as chairman, Gujarat Communications & Electronics Ltd., Baroda

H.S. MAMAK has been appointed vice president (lighting), Peico Electronics & Electricals Ltd. (Philips), Bombay

B. RAI has been appointed chief general manager, State Bank of India (Lucknow circle)

D.L. JAIN has been appointed vice president (consumer electronics), Peico Electronics & Electricals Ltd. (Philips), Bombay

V.K. MEHROTRA has been appointed general manager (planning), State Bank of India, (Lucknow circle)

V. SALGAOCAR has been elected president, Goa Mineral Ore Exporters' Association.

A.V. BRAHMA has been appointed director (personnel and industrial relations), Coal India Ltd.

SHANKAR GHOSE has been promoted as general manager (marketing), Shriram Foods & Fertiliser Industries, New Delhi

Carona Sahu Co. Ltd.

A Khatau Enterprise.

New Udyog Mandir Compound, Mogul Lane, Mahim West, BOMBAY 400 016.

C.S.C.
FOOTWEAR

STATEMENT OF THE CHAIRMAN AT THE 32ND ANNUAL GENERAL MEETING ON 29TH JULY, 1986

Ladies and Gentlemen:

It gives me great pleasure to welcome you all to this 32nd Annual General Meeting of the Company.

The Annual Report for fourteen months period from 1st November, 1984 to 31st December, 1985 has been in your hands for quite sometime, and I do not therefore propose to dwell into the details of the performance of the Company during the said period. However, I would like to highlight the fact that the Company has achieved an all-time record turnover of Rs. 39.95 crores as compared to Rs. 28.52 crores during the year 1983-84. This works out to approximately an increase of 20%, if we compare the figures on an annualised basis for 12 months. The profit before taxation and depreciation has shown an impressive increase of 87% over the previous year's profit viz., Rs. 142.96 lacs as compared to Rs. 76.56 lacs. After providing for depreciation and taxation there is a higher net surplus than that of the previous year. Taking into consideration the improved performance, I am glad to report that the Board of Directors of the Company have recommended a dividend of Rs. 20/- on each Equity Share as against Rs. 10/- declared during the previous year.

You will be glad to note that the performance of the Company continues to show significant improvement as a result of a series of measures taken to improve the productivity, quality and marketing of Company's products. For the first six months of the current year up to June 1986, the Company has achieved a turnover of Rs. 19.11 crores as compared to Rs. 15.73 crores during January/June 1985. Barring unforeseen circumstances, the Company hopes to achieve improved results during the current year as well.

DILIP D. KHATAU *(Chairman)*

The Footwear Industry has tremendous potential in this country where per capita consumption of footwear is just half a pair per year. The target of footwear production in 1989-90, the concluding year of the Seventh Plan, has been estimated at 440 million pairs as against the present annual production of about 300 million pairs. Similarly, the exports are expected to double during the Seventh Plan period. These ambitious estimates during the next five years show the immense potential available for footwear industry to expand in India.

Under the able leadership of our young and dynamic Prime Minister, the Government has introduced several pragmatic and progressive measures to promote rapid economic development in the country. Recognising the importance of the footwear industry and the growth in demand anticipated in the coming years, the Government has announced liberalisation in respect of expansion of the industry. This coupled with several other measures taken by the Government to promote rapid industrial growth should help the footwear industry to gear itself to meet the increasing demands of the future.

It is gratifying to note that, realising the need for technological upgradation in the leather industry and to build the inherent strength in the industry to face growing international competition, the Government has been thinking in terms of dereservation of more footwear items and leather goods from the small scale sector in order to accelerate adoption of modern techniques to turn out quality products. Besides taking adequate steps to encourage small scale industries to sustain their growth, these steps would give the required boost to organised sector to increase production of leather footwear and associated accessories so that the ambitious estimated export target of Rs. 1,070 crores by 1989-90, could be achieved.

The welcome trend on the part of the Government to propose further liberalisation to promote industrial growth in terms of relaxation of provisions of MRTP Act, relaxing the rigours of licencing procedures, lowering of taxation, introduction of Modvat Scheme, permitting increase in licensed capacity in order to make the industries economically viable and to make full use of installed capacity are all bound to open substantial opportunities to Indian industries to make a major breakthrough.

The increasing competition posed by the organised and unorganised sectors is a challenge which the Company will have to face in future. The present policy of the Government in reserving many items of leather goods for small scale sector will give an opportunity to the Company to encourage and assist a number of small scale manufacturers for leather as well as other varieties of footwear. Though some relaxation in excise duty on footwear was announced by the Government, this has been more than neutralised by the increase in the cost of inputs. The imposition of turnover tax in the Maharashtra budget would add to our cost. Political disturbances in some of the northern states would affect the sales in those areas. In spite of the aforesaid constraints, the Company hopes to increase its turnover substantially by taking several measures to improve productivity, quality and expand the distribution and sales network.

The Company attaches considerable importance to human resource development essential to achieve its goals. In pursuance of this policy and in order to develop sufficient skills and talents within the Company, to take full advantage of opportunities open to the industry and to face future challenges, the Company would continue vigorously its policy of developing its managers and employees through a series of Management Development and other training programmes. These would help to build the team of professional and skilled personnel within the Company. Further, the Company has taken steps for modernisation of its plant and machinery and a sum of Rs. 80 lacs was incurred during the last year. The process of technological upgradation and modernisation will continue in the years to come. Measures are afoot to upgrade the product mix and add more high-value items. In conformity with its policy to better serve its valued customers, the Company has plans, besides upgradation of product mix, to modernise its retail outlets and offer improved customer services.

In order to achieve rapid growth in the next few years, I am glad to report that a major foundation was laid when a long-term settlement was reached with the Carona Sahu Employees' Union, covering all daily rated/monthly rated employees in the Factory, Godowns and the staff at Head Office. It is to the credit of the employees that in consideration of the substantial increase given by the settlement, the employees have given an undertaking to improve the productivity.

I wish to place on record your appreciation for the unstinted co-operation, pragmatic and constructive approach of the Union and the employees for resolving various issues amicably for achieving the common objectives. I have no doubt, that in the years to come, the workers and the staff will continue this sustained support so that the Company can march rapidly on its path of progress. The supervisory staff, officers and executives deserve our commendation for the untiring efforts put forth by them against all odds to steer the Company to achieve greater heights.

I also wish to place on record the excellent support, co-operation and patronage given by our network of wholesalers, agents, retail dealers and our valued customers. On behalf of the Company I can assure them of sustaining and improving the quality of product and product services to meet the discriminating demands of the customers.

I will be failing in my duty if I do not place on record my appreciation and gratitude to my enlightened colleagues on the Board of Directors for their matured guidance and advice.

Before concluding, may I express my hope and conviction that the valued shareholders and other investing public who had reposed confidence in the Company, would continue their support and patronage and participate in the growth and prosperity of the Company. I may assure that they can continue to hope for better results in future. I look forward to more prosperous and happier days ahead.

Thank you.

DILIP D. KHATAU
CHAIRMAN

July 29, 1986

Note: This does not purport to be the record of the proceedings of the Annual General Meeting of the Company.

CHAITRA-B CSC 384

Damaging intervention

It is common knowledge that managements of several companies whose shares are listed on the stock exchanges resort to immoral insider trading. Indeed, it would be surprising if people who are privy to yet-to-be-disclosed information relating to a company's financial results or proposals to make bonus, additional equity or debenture issues, resist the temptation to use such information to make financial gains on the stockmarket.

What is however less well known is that the officially constituted executive authorities of the stock exchanges also take advantage of their powers to change trading rules to rig share prices to their personal benefit. These authorities are granted the powers to levy downpayment margins and impose other restrictions on trading in order to protect the investor and prevent wild fluctuations in the values of securities.

But it is not seldom that they have used their powers to serve their own ends. Besides, being in authority,they are privy to information about official measures that are scheduled to be enforced by government and to corporate decisions and financial results before the investing public. Often, on the strength of this, they have played the markets.

Daring defiance. And now, a new set of forces at the official level in government seem to have conspired to cause ripples on the stockmarkets — not surprisingly, to meet their own objectives. They have begun doing this by utilising the services of executive directors of the stock exchanges, as the appointment of these administrative heads of the stock exchanges to office is decided by government, i.e. the Union ministry of finance, which is the ultimate authority overseeing the operations of the 14 stock exchanges in the country. Worse however, is the fact that twice during the past two months finance ministry sources have manipulated the market to score over Reliance Industries Ltd., as the management of this company has dared to defy official constraints.

Such intervention raises the question why the government, and more particularly the Union minister of finance, is using the stockmarket mechanism to settle scores with out-of-favour companies. It also raises the query whether the executive heads of the stock exchanges, because they owe their appointments to the government, must behave as surrogates of the ministry of finance.

These questions are not without a basis and their relevance is borne out by the manner in which the Union minister of finance has employed his ministerial powers to manoeuvre the executive director of the Bombay stock exchange, M.R. Mayya, to frustrate Reliance Industries' plans to raise additional funds with issue of fresh capital to the company's share and debenture holders. Early in June, this company had proposed to extinguish its existing E and F series debentures by converting them into equity shares which it was empowered to do under the guidelines laid down in the Capital Issues (Control) Act, 1947, and to finalise which it had scheduled a board meeting for 9th June.

As is now common knowledge, the management of Reliance Industries could not proceed with the proposal, as the day before the scheduled board meeting the political affairs committee of the Union cabinet, acting at the behest of the Union finance minister, announced a decision to ban the conversion of bonds into equity shares. But the critical factor which prevented the Reliance management from finalising the bonds conversion proposal and facilitated the announcement by the government of a ban on the conversion of non-convertible debentures into equity shares was the initiative of Mayya to request the company to adjourn the scheduled board meeting of 9th June to a later date. Following this request, the company rescheduled the board meeting for 11th June and was caught unawares by the ban on bonds conversion which the government announced on the intervening day — 10th June.

Mayya's initiative. Consequently, the Reliance proposal to convert its debentures into equity shares did not see the light of day, not because of the government decision to ban the conversion of bonds into equity, but because of Mayya's initiative to re-schedule the board meeting of the company. Had the Reliance management not paid heed to Mayya's request and held the board meeting as was first scheduled on 9th June, it would have been unfettered by the ban on bonds conversion and could have proceeded with its conversion proposal. In which case, the Reliance debentures would not have suffered the Rs. 100 fall in the market because of the decision taken by the political affairs committee of the Union cabinet.

Besides, had the conversion proposal been finalised at the scheduled board meeting on 9th June, the Reliance management would not have found it necessary to announce a Rs. 400 crore convertible debenture issue as it has done. But, by taking a spot decision to make this substitute issue, the management of Reliance Industries appears to have further ruffled the Union finance minister. More particularly perhaps, because it has decided to issue the proposed convertible debentures for conversion into equity shares at a premium of Rs. 190 per share of Rs. 10. The company has proposed this high premium because its equity share was then being traded in the market at a price of Rs. 365-Rs. 370.

The price of the Reliance shares was steady at this level until Mayya, in another surprise move, decided to double the rate of margins on purchases of Reliance shares from Rs. 40 to Rs. 80 per share with effect from 23rd July. This doubling of the margin rate for buyers forced the price of the equity shares of the company down from Rs. 366 to Rs. 314 on that very day.

Nothing in the performance or behaviour of the market warranted Mayya's decision to raise the buyers' margin for purchases of this particular scrip. Reliance had not registered a spurt in price. In fact, the price had ranged in a narrow margin of five to eight points and the share was at a steady Rs. 365-Rs. 370. Besides, according to the daily turnover figures in specified shares which the Bombay stock exchange (BSE) publishes, the value of business conducted in Reliance shares on 22nd July — the day BSE executive director decided to double the margin for buyers — had amounted to Rs. 261.99 lakhs. The figure for the previous day was Rs. 283.79 lakhs, and that for a few days preceding (17th July) Rs. 194.04 lakhs.

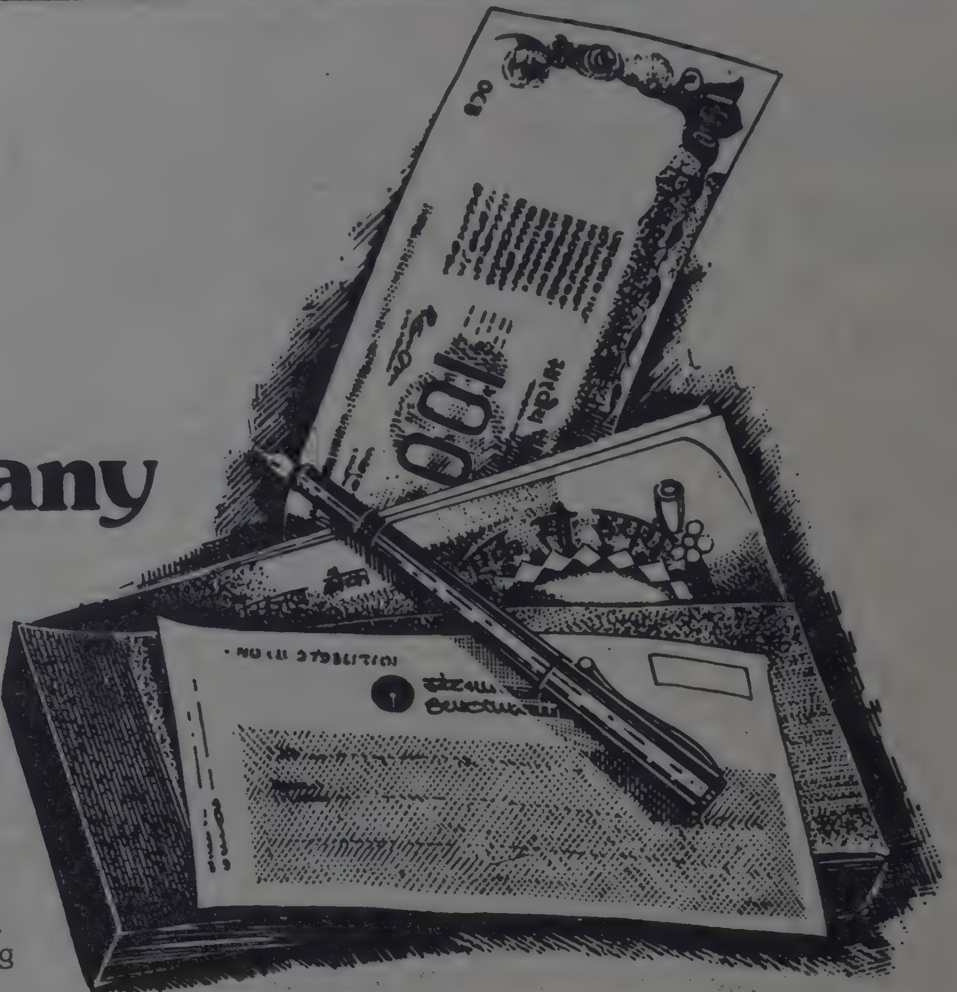
No relevance. The question obviously to ask is what prompted BSE executive director to scare buyers of Reliance shares by levying a double margin on purchases? The answer is evidently, "orders from above." Because, soon after having raised the margin for buyers, Mayya announced an identical increase in margins from Rs. 40 to Rs. 80 per share for sellers as well. He did this, because the higher margin for buyers had no relevance either to Reliance's share price or to the volume of business in the scrip. But, as he had yielded to pressures from above, he could not backtrack. So he did the inevitable, which was to bring sellers also within the brackets of the revised margin for buyers.

By doing this, Mayya may have believed he could balance the market, but actually he had done irreparable damage to it by succumbing in the first place to pressures from above and interfering with the market mechanism.

Artymon

Bajaj Capital

India's oldest Merchant Banking Company invites you to share in its prosperity



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We added a new dimension to the industrial finance in India in early 60s by innovating a new financial instrument : company deposits. We are the first and still the foremost in this line of business.

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Bajaj House, 97, Nehru Place, New Delhi-110019 Phone : 6415672, 6432853

ISSUE OPENS ON AUGUST 18, 1986

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BusinessWorld
August 4—17, 1986

Considered advice

The Indian stockmarkets have witnessed unprecedented boom conditions during the last two years. This buoyancy has spawned a whole new tribe of investors who are being assiduously wooed by entrepreneurs and corporate managers of all hues, shapes, sizes and intentions. Not surprisingly, not a few investors who are new to the corporate paper game have been led up the garden path where they can undoubtedly afford the time to rue their losses.

There is a gradual awareness emerging within the collective consciousness of the public that fortunes are lost as well as won on the stock exchanges. Particularly in the not wholly developed indigenous stockmarket, stockbrokers function with far less controls and restrictions than their counterparts in Britain and the US for example. The G.S. Patel Committee's recommendations for cleaning up the stockmarket and pertaining to protection of minority shareholders are now under the consideration of the Union government but it is a moot point as to when its recommendations will be accepted and implemented. In the meanwhile the dominant rule in the country's 14 stock exchanges is *caveat emptor*.

Yet, even against this backdrop there is no gainsaying that equities provide a good and affordable hedge against inflation and, prudently chosen, offer the prospect of handsome capital appreciation in the long run. For the prudent investor — particularly professional managers in Indian industry — I propose to offer considered advice once a month.

The equity share of POLYOLEFIN INDUSTRIES LTD. (PIL — sales: Rs. 115 crores in the year ended 31st December 1985) currently (25th July) quoted at Rs. 602.50 seems to be a good medium term (18-24 months) buy. Promoted by NOCIL and the West German chemical multinational Hoechst AG, PIL has embarked upon a massive expansion and diversification programme entailing a capital outlay of about Rs. 350 crores. The company is expanding its licensed capacity of HDPE (high density polyethylene) from 50,000 tonnes to 1,50,000 tonnes per annum. The company also proposes to manufacture ethylene vinyl acetate, elastomers and other related products. Currently PIL is the only manufacturer of HDPE in the country. A liberal rights issue to generate funds to part finance the massive expansion programme is on the cards.

Higher dividend. The Union budget for 1986-87 increased the customs duty on imported HDPE and also reduced the excise duty on indigenously manufactured HDPE. This has resulted in PIL gaining on both counts, particularly since the user pipe manufacturing and packaging industries are switching in a big way to HDPE. The company has declared a 20% dividend which is higher by three points as compared with the earlier year. In my opinion the quotation of the equity share of PIL has the potential to cross the Rs. 825 mark by mid-1988.

The equity share of SIEMENS INDIA currently quoted at Rs. 88 is somewhat undervalued. Yet it is appearing on the portfolios of several knowledgeable investors who believe it won't be long before its quotation crosses the Rs. 150 bench mark. Given that Siemens India operates in three high potential lines of business — power engineering, telecommunications and medical equipment — and given the massive support of Siemens AG which owns 51% of the Bombay-based company, the share is a good short term buy.

CEMINDIA (sales: Rs. 21.33 crores in the year ended 30th September 1985), a company engaged in civil engineering contract work, has hardly any competitors in this specialised field. The company is an Indian subsidiary of Cementation Co. Ltd., UK. According to reliable reports, the company is likely to fare well in the current year ending 30th September. The scrip is a good long term (over 36 months) buy. The company has recorded a compound annual sales growth rate of about 32%, with net profit rising by an even more impressive 40% annually. For the investor with a long term perspective, the company's equity share, currently quoted at Rs. 165 on the Bombay stock exchange, is a recommended purchase.

Even at its current quotation of Rs. 650 on the Bombay stock exchange, the equity share of the TATA ENGINEERING & LOCOMOTIVE CO. LTD. (TELCO) is a good long term prospect. No doubt the company has reported disappointing results for the year ended 31st March 1986, but this disappointment is reflected in its current price. Its current troubles notwithstanding, the long term outlook for the company is excellent. The green signal for the TELCO-Honda car project is about to flash. The Union government is also thinking of doing away with the national truck permits which will boost the demand for trucks.

In addition, the company's new LCV 407 has also been well received in the market. At the present price of the TELCO equity share which is close to rock bottom, the purchaser has precious little to lose and a lot to gain. SURYA AGROILS (sales: Rs.11.86 crores in the year ended 31st December 1985) is a good medium term investment (i.e. eight to nine months). The equity share of the company which is currently quoted at around Rs. 34, has the potential to go up to Rs. 60 within a year on an extremely conservative basis. The company is engaged in the manufacture of oilseeds, oilcakes and refined oil.

Capacity hiked. The company has recently hiked its soyabean processing capacity from 18,000 to 30,000 tonnes per annum and is performing extremely well in the current year, with gross profit for the first five months being higher than in the previous 15 month period ending 31st December 1985. The company already has export contracts valued at $60 million (Rs. 72 crores) in hand as also an interest free advance of $6 million. Further, projects entailing a capacity outlay of about Rs. 13.5 crores have already been undertaken and launched by the company. It might be worth noting that the share had touched a peak of Rs. 97 in 1985, prior to its recent rights issue.

A liberal bonus issue is imminent from MADRAS CEMENTS (sales: Rs. 32.97 crores in the year ended 31st December 1985) which makes it a good medium term investment. The price of the company's equity share could well go up to Rs. 750 or Rs. 800 by mid-1987. The company is expanding its capacity from the present 4.24 lakh tonnes to 1.12 million tonnes. To achieve this expansion, the company is setting up a new unit which will go on stream in 1987. As a consequence, the company's annual sales turnover is likely to rise from the present Rs. 33 crores to about Rs. 90 crores in 1988. The company has an extremely small capital base of Rs. 3 crores and massive reserves of Rs. 17.13 crores. Earnings per share is also very good at Rs. 193. The share is an extremely good buy at the current price of Rs. 500-505.

For investors who have already built up equity portfolios and who are also in the market as sellers, this might be a good time to offload RAYMOND WOOLLEN. According to market reports, the company has not fared well in its year ended 31st March 1986.

Likewise, WALCHANDNAGAR INDUSTRIES, according to insiders, has made a substantial loss in its current year ended 31st March 1986. The share should be sold immediately. Its quotation has been slipping continuously, sliding from Rs. 53 to the current price of Rs. 32 — an indication of bad times.

Gul Tekchandani

Subdued trend

Despite smart rises in the values of front rank equities such as Premier Automobiles and Bajaj Auto, the stock exchanges depicted a subdued trend during the fortnight ended 25th July.

Reflecting this downward trend, *The Economic Times* index of ordinary shares (1969-70 = 100) moved downwards from 512.4 on 14th July to 508 on 25th July. Following suit, the Bombay stock exchange's 'sensitive' share price index declined from 610.76 to 595.35 during the same period. However, the *Financial Express* equity index (1979 = 100) inched up from 358.91 to 360.68.

The highlight of the trading during the fortnight under review was the sharp fluctuation in the prices of some select scrips. The equity share of Reliance Industries crashed and lost Rs. 53 (14.44%) following nervous bull unloading and bear hammering in the wake of apprehensions that the probe ordered by the Union government on bank advances against Reliance shares and debentures might unearth business secrets which could adversely affect the growth of the company. On the other hand, the quotation for Premier Automobiles shot up by Rs. 130 (16.05%) on sustained buying following the announcement of liberal bonus and rights issues.

Iron and steel equities were distinctly bearish, with the *ET* sectoral index for these scrips losing 5.9% to close at 1681.7 during the fortnight. The depressed trend was attributed to the sharp fall in the value of Tata Steel.

Engineering equities too ruled easy because of tired bull liquidation. As a result the *ET* index for these scrips lost 2.16% to close at 935.1 during the fortnight. Fertiliser equities also showed a downward trend with the *ET* sectoral index for these scrips moving down from 815.2 to 790.4 during the fortnight.

"As evidenced by the light volume of business in cash shares and the poor response to new issues, investor interest in the share market seems to have plateaued. It is surprising that the timely onset of the monsoon and its progress throughout the country as also good corporate news have had no impact on investor sentiment. On the contrary, the reports regarding Reliance Industries and the recent sharp drop in the price of the company's equity share has unnerved investors. This indicates that the market is overheated and a correction is due," observes Hemant Dani, senior editor of *Shree Profit*, the popular investment weekly based in Bombay.

S. Dhruv

BOMBAY

Name/Industries 1	1985 Price range High 2 (Rs.)	Low 3 (Rs.)	Dividend per share 4 (Rs.)	Opening 14-7-86 5 (Rs.)	Closing 25-7-86 6 (Rs.)	Yield 7 %
Textiles						
Baroda Rayon (100)	500.00	282.00	15.00	298.00	290.00	5.2
Bombay Dyeing (25)	156.00	63.00	1.75*	98.00	101.00	1.7
Century Spg. (100)	1530.00	805.00	24.00*	770.00	780.00	3.1
Century Enka (100)	1240.00	600.00	34.00	1180.00	1165.00	2.9
Garware Nylon (10)	64.00	24.50	1.80	42.50	42.00	4.3
Gwalior Rayon (10)	88.00	53.50	2.20	74.50	73.00	3.0
Indian Rayon (10)	144.00	65.00	2.40	135.00	128.50	1.9
JK Synthetics (10)	118.00	51.70	1.50	110.00	119.50	1.3
Mafatlal Ind. (125)	400.00	235.00	22.00	465.00	465.00	4.7
Nirlon (10)	73.00	37.00	2.25*	37.00	37.00	6.1
Reliance Ind. (10)	252.00	121.00	4.00	362.00	314.00	1.3
S. I. Viscose (100)	285.00	170.00	15.00	215.00	225.00	6.7
Standard Mills (100)	475.00	272.00	12.00	420.00	430.00	2.8
Paper						
Andhra Pradesh (100)	195.00	160.00	20.00	150.00	150.00	13.3
Ballarpur (10)	68.00	43.00	2.20*	55.50	56.00	3.9
Bhadrachalam (10)	36.00	20.50	N.A.	39.50	39.00	...
Jayant Paper (10)	28.00	13.50	2.00	20.00	19.50	10.3
Orient Paper (10)	101.00	59.00	2.00	81.50	81.50	2.5
Steel						
Mukand (10)	54.00	21.75	N.A.	43.00	54.50	...
Tata Steel (100)	1255.00	379.50	21.00	1390.00	1307.50	1.6
Zenith Steel (10)	78.00	27.50	2.50	89.00	88.00	2.8
Metal & Alloys						
Bihar Alloys (10)	26.00	8.25	N.A.	17.50	17.00	...
Ferro Alloys (100)	275.00	125.00	12.50	325.00	355.00	3.5
Hindustan Alum (10)	94.00	51.00	1.35*	76.00	75.00	1.8
Mahindra Ugine (10)	49.00	27.00	N.A.	29.00	26.00	...
Engineering						
Antifric Bearings (10)	50.00	21.50	1.40	19.50	19.50	7.2
Associated Bearing (100)	800.00	435.00	20.00	710.00	700.00	2.9
Atlas Copco (10)	72.00	35.00	1.20	79.50	96.00	1.3
Bharat Forge (10)	90.00	29.00	1.80*	71.00	77.00	2.3
Bharat Gears (10)	60.00	27.50	1.80	27.50	28.50	6.3
Blue Star (10)	92.50	32.50	2.00	95.00	90.00	2.2
Elecon (10)	108.00	54.50	1.70	110.00	112.00	1.5
Greaves Cotton (100)	350.00	202.50	17.00*	280.00	280.00	6.1
Hind Lever (10)	128.00	50.75	2.40	162.00	175.00	1.4
Ingersoll-Rand (10)	365.00	159.00	3.50	270.00	297.50	1.2
KEC Int. (10)	40.00	24.00	1.25	20.00	20.00	6.3
Kinetic Engg. (10)	360.00	128.00	2.50	365.00	360.00	0.7
Kirloskar Cummins (100)	753.50	500.00	15.00	655.00	670.00	2.2
Kirloskar Oil (10)	36.00	19.50	1.25	15.50	15.00	8.3
Larsen & Toubro (10)	193.00	72.00	2.40	129.00	129.00	1.9
Mahindra & Mahindra (10)	102.00	47.50	1.80*	53.00	53.00	3.4
Otis Elevator (10)	215.00	85.00	2.50	127.50	140.00	1.8
Premier Auto (100)	650.00	310.00	21.00	825.00	940.00	2.2
Pressure Cookers (10)	49.00	25.00	1.90	35.00	35.00	5.4
Tata Engg. (100)	1030.00	406.00	23.00	680.00	650.00	3.5
Voltas (100)	470.00	358.00	10.00*	225.00	227.50	4.4
Automobiles						
Bajaj Auto (100)	2075.00	855.00	30.00	3525.00	3725.00	0.8
Bajaj Tempo (10)	280.00	143.00	2.50	127.50	125.00	2.0
Escorts (10)	102.00	45.75	2.20	105.00	105.00	2.1
Motor Industries (100)	815.00	321.25	15.00	875.00	910.00	1.6
Cables & Electricals						
Asian Cables (100)	215.00	112.50	10.00	175.00	175.00	5.7
Bajaj Electricals (100)	340.00	115.00	20.00*	750.00	750.00	2.7
Bharat Bijlee (100)	300.00	105.00	16.00	365.00	370.00	4.3
Crompton Greaves (100)	350.00	257.50	10.00	280.00	280.00	3.6
Peico Electronics (10)	103.00	38.50	2.00	55.00	54.50	3.7
Siemens India (10)	87.50	38.00	1.40	79.00	85.00	1.6
Dyes & Chemicals						
Amar Dye-Chem (100)	95.00	62.50	12.00*	35.00	30.00	40.0
Bayer (100)	480.00	320.00	18.00	570.00	625.00	2.9
I.E.L. Ltd. (10)	80.00	32.70	2.00	64.50	65.00	3.1
Colour-Chem (100)	335.00	185.00	12.00*	265.00	267.50	4.5
Cynamid (10)	80.00	35.00	25.00*	62.00	62.00	40.3
Glaxo (10)	75.00	23.75	1.80	62.00	66.00	2.7
G S F C (100)	895.00	534.00	24.00	66.00	153.00	15.7
Herdillia Chem (10)	67.00	25.50	1.80	43.00	44.00	4.1
Mafatlal Dyes (10)	33.00	23.50	1.70	24.00	26.00	6.5
Mangalore Chem (10)	50.00	19.50	N.A.	20.00	47.00	...
Indian Dyestuffs (100)	390.00	267.50	16.00	260.00	265.00	6.0
Indian Organic (10)	141.00	50.25	18.00*	71.00	82.50	21.8
Pfizer (10)	100.00	39.00	2.00	82.00	85.00	2.4
Polychem (50)	181.00	60.00	10.00	130.00	180.00	5.6
Sandoz (10)	80.00	31.00	1.40	110.00	133.00	1.1
Sandvik Asia (100)	575.00	340.00	10.00	670.00	670.00	1.5
Tata Chem. (10)	155.00	64.50	2.50	103.00	101.00	2.5
Warner Hind (10)	75.00	36.00	2.50*	75.00	80.00	3.1
Zuari Agro (10)	94.00	46.00	2.25*	87.00	84.00	2.7
Shipping						
Chowgule (10)	16.50	5.00	N.A.	7.00	5.25	...
Great Eastern (10)	34.00	14.25	0.70	22.00	21.50	3.3
Scindia (20)	21.50	7.00	N.A.	8.00	7.00	...

BusinessWorld
August 4—17, 1986

Damaging intervention

It is common knowledge that managements of several companies whose shares are listed on the stock exchanges resort to immoral insider trading. Indeed, it would be surprising if people who are privy to yet-to-be-disclosed information relating to a company's financial results or proposals to make bonus, additional equity or debenture issues, resist the temptation to use such information to make financial gains on the stockmarket.

What is however less well known is that the officially constituted executive authorities of the stock exchanges also take advantage of their powers to change trading rules to rig share prices to their personal benefit. These authorities are granted the powers to levy down-payment margins and impose other restrictions on trading in order to protect the investor and prevent wild fluctuations in the values of securities.

But it is not seldom that they have used their powers to serve their own ends. Besides, being in authority,they are privy to information about official measures that are scheduled to be enforced by government and to corporate decisions and financial results before the investing public. Often, on the strength of this, they have played the markets.

Daring defiance. And now, a new set of forces at the official level in government seem to have conspired to cause ripples on the stockmarkets — not surprisingly, to meet their own objectives. They have begun doing this by utilising the services of executive directors of the stock exchanges, as the appointment of these administrative heads of the stock exchanges to office is decided by government, i.e. the Union ministry of finance, which is the ultimate authority overseeing the operations of the 14 stock exchanges in the country. Worse however, is the fact that twice during the past two months finance ministry sources have manipulated the market to score over Reliance Industries Ltd., as the management of this company has dared to defy official constraints.

Such intervention raises the question why the government, and more particularly the Union minister of finance, is using the stockmarket mechanism to settle scores with out-of-favour companies. It also raises the query whether the executive heads of the stock exchanges, because they owe their appointments to the government, must behave as surrogates of the ministry of finance.

These questions are not without a basis and their relevance is borne out by the manner in which the Union minister of finance has employed his ministerial powers to manoeuvre the executive director of the Bombay stock exchange, M.R. Mayya, to frustrate Reliance Industries' plans to raise additional funds with issue of fresh capital to the company's share and debenture holders. Early in June, this company had proposed to extinguish its existing E and F series debentures by converting them into equity shares which it was empowered to do under the guidelines laid down in the Capital Issues (Control) Act, 1947, and to finalise which it had scheduled a board meeting for 9th June.

As is now common knowledge, the management of Reliance Industries could not proceed with the proposal, as the day before the scheduled board meeting the political affairs committee of the Union cabinet, acting at the behest of the Union finance minister, announced a decision to ban the conversion of bonds into equity shares. But the critical factor which prevented the Reliance management from finalising the bonds conversion proposal and facilitated the announcement by the government of a ban on the conversion of non-convertible debentures into equity shares was the initiative of Mayya to request the company to adjourn the scheduled board meeting of 9th June to a later date. Following this request, the company rescheduled the board meeting for 11th June and was caught unawares by the ban on bonds conversion which the government announced on the intervening day — 10th June.

Mayya's initiative. Consequently, the Reliance proposal to convert its debentures into equity shares did not see the light of day, not because of the government decision to ban the conversion of bonds into equity, but because of Mayya's initiative to re-schedule the board meeting of the company. Had the Reliance management not paid heed to Mayya's request and held the board meeting as was first scheduled on 9th June, it would have been unfettered by the ban on bonds conversion and could have proceeded with its conversion proposal. In which case, the Reliance debentures would not have suffered the Rs. 100 fall in the market because of the decision taken by the political affairs committee of the Union cabinet.

Besides, had the conversion proposal been finalised at the scheduled board meeting on 9th June, the Reliance management would not have found it necessary to announce a Rs. 400 crore convertible debenture issue as it has done. But, by taking a spot decision to make this substitute issue, the management of Reliance Industries appears to have further ruffled the Union finance minister. More particularly perhaps, because it has decided to issue the proposed convertible debentures for conversion into equity shares at a premium of Rs. 190 per share of Rs. 10. The company has proposed this high premium because its equity share was then being traded in the market at a price of Rs. 365-Rs. 370.

The price of the Reliance shares was steady at this level until Mayya, in another surprise move, decided to double the rate of margins on purchases of Reliance shares from Rs. 40 to Rs. 80 per share with effect from 23rd July. This doubling of the margin rate for buyers forced the price of the equity shares of the company down from Rs. 366 to Rs. 314 on that very day.

Nothing in the performance or behaviour of the market warranted Mayya's decision to raise the buyers' margin for purchases of this particular scrip. Reliance had not registered a spurt in price. In fact, the price had ranged in a narrow margin of five to eight points and the share was at a steady Rs. 365-Rs. 370. Besides, according to the daily turnover figures in specified shares which the Bombay stock exchange (BSE) publishes, the value of business conducted in Reliance shares on 22nd July — the day BSE executive director decided to double the margin for buyers — had amounted to Rs. 261.99 lakhs. The figure for the previous day was Rs. 283.79 lakhs, and that for a few days preceding (17th July) Rs. 194.04 lakhs.

No relevance. The question obviously to ask is what prompted BSE executive director to scare buyers of Reliance shares by levying a double margin on purchases? The answer is evidently, "orders from above." Because, soon after having raised the margin for buyers, Mayya announced an identical increase in margins from Rs. 40 to Rs. 80 per share for sellers as well. He did this, because the higher margin for buyers had no relevance either to Reliance's share price or to the volume of business in the scrip. But, as he had yielded to pressures from above, he could not backtrack. So he did the inevitable, which was to bring sellers also within the brackets of the revised margin for buyers.

By doing this, Mayya may have believed he could balance the market, but actually he had done irreparable damage to it by succumbing in the first place to pressures from above and interfering with the market mechanism.

Artymon

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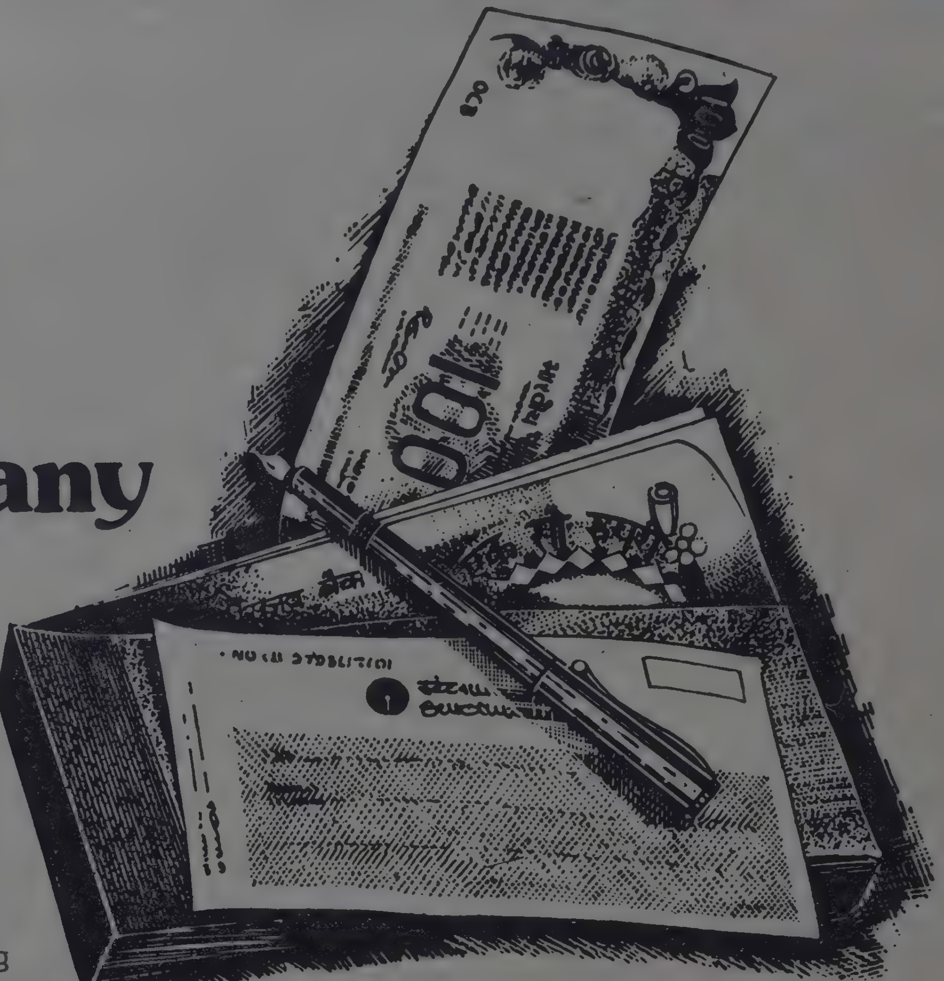

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ISSUE OPENS ON AUGUST 18, 1986

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Considered advice

The Indian stockmarkets have witnessed unprecedented boom conditions during the last two years. This buoyancy has spawned a whole new tribe of investors who are being assiduously wooed by entrepreneurs and corporate managers of all hues, shapes, sizes and intentions. Not surprisingly, not a few investors who are new to the corporate paper game have been led up the garden path where they can undoubtedly afford the time to rue their losses.

There is a gradual awareness emerging within the collective consciousness of the public that fortunes are lost as well as won on the stock exchanges. Particularly in the not wholly developed indigenous stockmarket, stockbrokers function with far less controls and restrictions than their counterparts in Britain and the US for example. The G.S. Patel Committee's recommendations for cleaning up the stockmarket and pertaining to protection of minority shareholders are now under the consideration of the Union government but it is a moot point as to when its recommendations will be accepted and implemented. In the meanwhile the dominant rule in the country's 14 stock exchanges is *caveat emptor*.

Yet, even against this backdrop there is no gainsaying that equities provide a good and affordable hedge against inflation and, prudently chosen, offer the prospect of handsome capital appreciation in the long run. For the prudent investor — particularly professional managers in Indian industry — I propose to offer considered advice once a month.

The equity share of POLYOLEFIN INDUSTRIES LTD. (PIL — sales: Rs. 115 crores in the year ended 31st December 1985) currently (25th July) quoted at Rs. 602.50 seems to be a good medium term (18-24 months) buy. Promoted by NOCIL and the West German chemical multinational Hoechst AG, PIL has embarked upon a massive expansion and diversification programme entailing a capital outlay of about Rs. 350 crores. The company is expanding its licensed capacity of HDPE (high density polyethylene) from 50,000 tonnes to 1,50,000 tonnes per annum. The company also proposes to manufacture ethylene vinyl acetate, elastomers and other related products. Currently PIL is the only manufacturer of HDPE in the country. A liberal rights issue to generate funds to part finance the massive expansion programme is on the cards.

Higher dividend. The Union budget for 1986-87 increased the customs duty on imported HDPE and also reduced the excise duty on indigenously manufactured HDPE. This has resulted in PIL gaining on both counts, particularly since the user pipe manufacturing and packaging industries are switching in a big way to HDPE. The company has declared a 20% dividend which is higher by three points as compared with the earlier year. In my opinion the quotation of the equity share of PIL has the potential to cross the Rs. 825 mark by mid-1988.

The equity share of SIEMENS INDIA currently quoted at Rs. 88 is somewhat undervalued. Yet it is appearing on the portfolios of several knowledgeable investors who believe it won't be long before its quotation crosses the Rs. 150 bench mark. Given that Siemens India operates in three high potential lines of business — power engineering, telecommunications and medical equipment — and given the massive support of Siemens AG which owns 51% of the Bombay-based company, the share is a good short term buy.

CEMINDIA (sales: Rs. 21.33 crores in the year ended 30th September 1985), a company engaged in civil engineering contract work, has hardly any competitors in this specialised field. The company is an Indian subsidiary of Cementation Co. Ltd., UK. According to reliable reports, the company is likely to fare well in the current year ending 30th September. The scrip is a good long term (over 36 months) buy. The company has recorded a compound annual sales growth rate of about 32%, with net profit rising by an even more impressive 40% annually. For the investor with a long term perspective, the company's equity share, currently quoted at Rs. 165 on the Bombay stock exchange, is a recommended purchase.

Even at its current quotation of Rs. 650 on the Bombay stock exchange, the equity share of the TATA ENGINEERING & LOCOMOTIVE CO. LTD. (TELCO) is a good long term prospect. No doubt the company has reported disappointing results for the year ended 31st March 1986, but this disappointment is reflected in its current price. Its current troubles notwithstanding, the long term outlook for the company is excellent. The green signal for the TELCO-Honda car project is about to flash. The Union government is also thinking of doing away with the national truck permits which will boost the demand for trucks.

In addition, the company's new LCV 407 has also been well received in the market. At the present price of the TELCO equity share which is close to rock bottom, the purchaser has precious little to lose and a lot to gain. SURYA AGROILS (sales: Rs.11.86 crores in the year ended 31st December 1985) is a good medium term investment (i.e. eight to nine months). The equity share of the company which is currently quoted at around Rs. 34, has the potential to go up to Rs. 60 within a year on an extremely conservative basis. The company is engaged in the manufacture of oilseeds, oilcakes and refined oil.

Capacity hiked. The company has recently hiked its soyabean processing capacity from 18,000 to 30,000 tonnes per annum and is performing extremely well in the current year, with gross profit for the first five months being higher than in the previous 15 month period ending 31st December 1985. The company already has export contracts valued at $60 million (Rs. 72 crores) in hand as also an interest free advance of $6 million. Further, projects entailing a capacity outlay of about Rs. 13.5 crores have already been undertaken and launched by the company. It might be worth noting that the share had touched a peak of Rs. 97 in 1985, prior to its recent rights issue.

A liberal bonus issue is imminent from MADRAS CEMENTS (sales: Rs. 32.97 crores in the year ended 31st December 1985) which makes it a good medium term investment. The price of the company's equity share could well go up to Rs. 750 or Rs. 800 by mid-1987. The company is expanding its capacity from the present 4.24 lakh tonnes to 1.12 million tonnes. To achieve this expansion, the company is setting up a new unit which will go on stream in 1987. As a consequence, the company's annual sales turnover is likely to rise from the present Rs. 33 crores to about Rs. 90 crores in 1988. The company has an extremely small capital base of Rs. 3 crores and massive reserves of Rs. 17.13 crores. Earnings per share is also very good at Rs. 193. The share is an extremely good buy at the current price of Rs. 500-505.

For investors who have already built up equity portfolios and who are also in the market as sellers, this might be a good time to offload RAYMOND WOOLLEN. According to market reports, the company has not fared well in its year ended 31st March 1986.

Likewise, WALCHANDNAGAR INDUSTRIES, according to insiders, has made a substantial loss in its current year ended 31st March 1986. The share should be sold immediately. Its quotation has been slipping continuously, sliding from Rs. 53 to the current price of Rs. 32 — an indication of bad times.

Gul Tekchandani

Subdued trend

Despite smart rises in the values of front rank equities such as Premier Automobiles and Bajaj Auto, the stock exchanges depicted a subdued trend during the fortnight ended 25th July.

Reflecting this downward trend, *The Economic Times* index of ordinary shares (1969-70 = 100) moved downwards from 512.4 on 14th July to 508 on 25th July. Following suit, the Bombay stock exchange's 'sensitive' share price index declined from 610.76 to 595.35 during the same period. However, the *Financial Express* equity index (1979 = 100) inched up from 358.91 to 360.68.

The highlight of the trading during the fortnight under review was the sharp fluctuation in the prices of some select scrips. The equity share of Reliance Industries crashed and lost Rs. 53 (14.44%) following nervous bull unloading and bear hammering in the wake of apprehensions that the probe ordered by the Union government on bank advances against Reliance shares and debentures might unearth business secrets which could adversely affect the growth of the company. On the other hand, the quotation for Premier Automobiles shot up by Rs. 130 (16.05%) on sustained buying following the announcement of liberal bonus and rights issues.

Iron and steel equities were distinctly bearish, with the *ET* sectoral index for these scrips losing 5.9% to close at 1681.7 during the fortnight. The depressed trend was attributed to the sharp fall in the value of Tata Steel.

Engineering equities too ruled easy because of tired bull liquidation. As a result the *ET* index for these scrips lost 2.16% to close at 935.1 during the fortnight. Fertiliser equities also showed a downward trend with the *ET* sectoral index for these scrips moving down from 815.2 to 790.4 during the fortnight.

"As evidenced by the light volume of business in cash shares and the poor response to new issues, investor interest in the share market seems to have plateaued. It is surprising that the timely onset of the monsoon and its progress throughout the country as also good corporate news have had no impact on investor sentiment. On the contrary, the reports regarding Reliance Industries and the recent sharp drop in the price of the company's equity share has unnerved investors. This indicates that the market is overheated and a correction is due," observes Hemant Dani, senior editor of *Shree Profit*, the popular investment weekly based in Bombay.

S. Dhruv

BOMBAY 1985

Name/Industries	Price range High - Low		Dividend per share	Opening 14-7-86	Closing 25-7-86	Yield
1	2 (Rs.)	3 (Rs.)	4 (Rs.)	5 (Rs.)	6 (Rs.)	7 %
Textiles						
Baroda Rayon (100)	500.00	282.00	15.00	298.00	290.00	5.2
Bombay Dyeing (25)	156.00	63.00	1.75*	98.00	101.00	1.7
Century Spg. (100)	1530.00	805.00	24.00*	770.00	780.00	3.1
Century Enka (100)	1240.00	600.00	34.00	1180.00	1165.00	2.9
Garware Nylon (10)	64.00	24.50	1.80	42.50	42.00	4.3
Gwalior Rayon (10)	88.00	53.50	2.20	74.50	73.00	3.0
Indian Rayon (10)	144.00	65.00	2.40	135.00	128.50	1.9
JK Synthetics (10)	118.00	51.70	1.50	110.00	119.50	1.3
Mafatlal Ind. (125)	400.00	235.00	22.00	465.00	465.00	4.7
Nirlon (10)	73.00	37.00	2.25*	37.00	37.00	6.1
Reliance Ind. (10)	252.00	121.00	4.00	362.00	314.00	1.3
S. I. Viscose (100)	285.00	170.00	15.00	215.00	225.00	6.7
Standard Mills (100)	475.00	272.00	12.00	420.00	430.00	2.8
Paper						
Andhra Pradesh (100)	195.00	160.00	20.00	150.00	150.00	13.3
Ballarpur (10)	68.00	43.00	2.20*	55.50	56.00	3.9
Bhadrachalam (10)	36.00	20.50	N.A.	39.50	39.00	...
Jayant Paper (10)	28.00	13.50	2.00	20.00	19.50	10.3
Orient Paper (10)	101.00	59.00	2.00	81.50	81.50	2.5
Steel						
Mukand (10)	54.00	21.75	N.A.	43.00	54.50	...
Tata Steel (100)	1255.00	379.50	21.00	1390.00	1307.50	1.6
Zenith Steel (10)	78.00	27.50	2.50	89.00	88.00	2.8
Metal & Alloys						
Bihar Alloys (10)	26.00	8.25	N.A.	17.50	17.00	...
Ferro Alloys (100)	275.00	125.00	12.50	325.00	355.00	3.5
Hindustan Alum (10)	94.00	51.00	1.35*	76.00	75.00	1.8
Mahindra Ugine (10)	49.00	27.00	N.A.	29.00	26.00	...
Engineering						
Antifric Bearings (10)	50.00	21.50	1.40	19.50	19.50	7.2
Associated Bearing (100)	800.00	435.00	20.00	710.00	700.00	2.9
Atlas Copco (10)	72.00	35.00	1.20	79.50	96.00	1.3
Bharat Forge (10)	90.00	29.00	1.80*	71.00	77.00	2.3
Bharat Gears (10)	60.00	27.50	1.80	27.50	28.50	6.3
Blue Star (10)	92.50	32.50	2.00	95.00	90.00	2.2
Elecon (10)	108.00	54.50	1.70	110.00	112.00	1.5
Greaves Cotton (100)	350.00	202.50	17.00*	280.00	280.00	6.1
Hind Lever (10)	128.00	50.75	2.40	162.00	175.00	1.4
Ingersoll-Rand (10)	365.00	159.00	3.50	270.00	297.50	1.2
KEC Int. (10)	40.00	24.00	1.25	20.00	20.00	6.3
Kinetic Engg. (10)	360.00	128.00	2.50	365.00	360.00	0.7
Kirloskar Cummins (100)	753.50	500.00	15.00	655.00	670.00	2.2
Kirloskar Oil (10)	36.00	19.50	1.25	15.50	15.00	8.3
Larsen & Toubro (10)	193.00	72.00	2.40	129.00	129.00	1.9
Mahindra & Mahindra (10)	102.00	47.50	1.80*	53.00	53.00	3.4
Otis Elevator (10)	215.00	85.00	2.50	127.50	140.00	1.8
Premier Auto (100)	650.00	310.00	21.00	825.00	940.00	2.2
Pressure Cookers (10)	49.00	25.00	1.90	35.00	35.00	5.4
Tata Engg. (100)	1030.00	406.00	23.00	680.00	650.00	3.5
Voltas (100)	470.00	358.00	10.00*	225.00	227.50	4.4
Automobiles						
Bajaj Auto (100)	2075.00	855.00	30.00	3525.00	3725.00	0.8
Bajaj Tempo (10)	280.00	143.00	2.50	127.50	125.00	2.0
Escorts (10)	102.00	45.75	2.20	105.00	105.00	2.1
Motor Industries (100)	815.00	321.25	15.00	875.00	910.00	1.6
Cables & Electricals						
Asian Cables (100)	215.00	112.50	10.00	175.00	175.00	5.7
Bajaj Electricals (100)	340.00	115.00	20.00*	750.00	750.00	2.7
Bharat Bijlee (100)	300.00	105.00	16.00	365.00	370.00	4.3
Crompton Greaves (100)	350.00	257.50	10.00	280.00	280.00	3.6
Peico Electronics (10)	103.00	38.50	2.00	55.00	54.50	3.7
Siemens India (10)	87.50	38.00	1.40	79.00	85.00	1.6
Dyes & Chemicals						
Amar Dye-Chem (100)	95.00	62.50	12.00*	35.00	30.00	40.0
Bayer (100)	480.00	320.00	18.00	570.00	625.00	2.9
I.E.L. Ltd. (10)	80.00	32.70	2.00	64.50	65.00	3.1
Colour-Chem (100)	335.00	185.00	12.00*	265.00	267.50	4.5
Cynamid (10)	80.00	35.00	25.00*	62.00	62.00	40.3
Glaxo (10)	75.00	23.75	1.80	62.00	66.00	2.7
G S F C (100)	895.00	534.00	24.00	66.00	153.00	15.7
Herdillia Chem (10)	67.00	25.50	1.80	43.00	44.00	4.1
Mafatlal Dyes (10)	33.00	23.50	1.70	24.00	26.00	6.5
Mangalore Chem (10)	50.00	19.50	N.A.	20.00	47.00	...
Indian Dyestuffs (100)	390.00	267.50	16.00	260.00	265.00	6.0
Indian Organic (10)	141.00	50.25	18.00*	71.00	82.50	21.8
Pfizer (10)	100.00	39.00	2.00	82.00	85.00	2.4
Polychem (50)	181.00	60.00	10.00	130.00	180.00	5.6
Sandoz (10)	80.00	31.00	1.40	110.00	133.00	1.1
Sandvik Asia (100)	575.00	340.00	10.00	670.00	670.00	1.5
Tata Chem. (10)	155.00	64.50	2.50	103.00	101.00	2.5
Warner Hind (10)	75.00	36.00	2.50*	75.00	80.00	3.1
Zuari Agro (10)	94.00	46.00	2.25*	87.00	84.00	2.7
Shipping						
Chowgule (10)	16.50	5.00	N.A.	7.00	5.25	...
Great Eastern (10)	34.00	14.25	0.70	22.00	21.50	3.3
Scindia (20)	21.50	7.00	N.A.	8.00	7.00	...

BusinessWorld
August 4—17, 1986

BOMBAY

Name/Industries 1	1985 Price range High 2 (Rs.)	Low 3 (Rs.)	Dividend per share 4 (Rs.)	Opening 14-7-86 5 (Rs.)	Closing 25-7-86 6 (Rs.)	Yield 7 %
Cement						
A C C (100)	610.00	380.00	20.00	254.00	245.00	8.2
Digvijay Cement (100)	230.00	180.00	20.00	170.00	170.00	11.8
Mysore Cement (10)	48.00	30.00	1.75	26.00	26.00	6.7
Raaci Cement (10)	60.00	31.00	1.80	32.00	27.00	6.7
Miscellaneous						
Andhra Valley (100)	180.00	121.00	16.00	210.00	198.75	8.1
Blow Plast (10)	122.00	44.00	2.50*	102.00	99.00	2.5
Colgate (10)	318.00	143.50	7.00*	295.50	317.50	2.2
East India Hotels (10)	53.00	25.50	2.00	45.00	45.00	4.4
Garware Marine (10)	33.00	14.00	1.40*	14.00	13.00	10.8
Gujarat Alkali (10)	65.00	38.00	2.50	59.00	59.00	4.2
Harri Malayalam (10)	76.00	38.00	2.50	40.00	41.00	6.1
Indian Hotels (10)	135.00	77.00	2.50	130.00	122.50	2.3
I.T.C. (10)	59.80	29.00	2.25	65.50	67.00	3.4
Lohia Machine (10)	85.00	43.50	2.00	35.00	35.00	5.7
Ponds (10)	218.00	103.00	4.50	340.00	367.50	1.2
VST Ind (10)	38.50	21.00	2.30	27.00	28.00	8.2
Wimco (10)	71.00	38.50	2.00	60.50	63.00	3.2

CALCUTTA

Name/Industries 1	1985 Price range High 2 (Rs.)	Low 3 (Rs.)	Dividend per share 4 (Rs.)	Opening 14-7-86 5 (Rs.)	Closing 25-7-86 6 (Rs.)	Yield 7 %
Textiles						
Bharat Commerce (10)	27.00	13.75	1.00*	14.50	14.00	7.1
J. K. Cotton (10)	64.00	18.00	1.20*	71.00	71.00	1.7
Kesoram Ind (10)	85.00	52.00	2.36	63.00	61.50	3.8
Jute						
Birla Jute (10)	105.00	51.50	1.86	46.50	45.50	4.1
Reliance (10)	—	—	1.75*	39.00	39.00	4.5
Chemicals						
Chloride India (10)	95.00	58.00	2.20*	124.00	122.00	1.8
Indian Oxygen (10)	66.30	42.75	2.00*	51.00	52.50	3.8
Engineering						
Alfred Herbert (10)	25.00	16.00	1.50	14.25	14.25	10.5
Guest Keen (10)	35.25	20.00	0.50	19.00	18.00	2.8
India Foils (10)	78.00	38.75	2.00*	74.25	78.00	2.6
Macneil Magor (10)	250.00	127.00	12.00	32.00	22.00	54.5
Metal Box (10)	25.00	11.50	0.80*	19.10	19.00	4.2
Union Carbide (10)	38.00	16.75	0.50	25.30	23.20	2.2
Usha Martin (10)	48.00	26.00	1.60*	31.75	33.50	4.8
Tea						
Basmatia (10)	44.75	35.25	3.00	32.25	32.25	9.3
Brooke Bond (10)	83.00	46.50	2.50	58.00	60.00	4.2
Tata Tea (10)	177.00	64.00	5.00*	65.50	65.25	8.9
Miscellaneous						
Britannia Ind (10)	91.00	46.50	1.80	141.50	148.50	1.2
Davy Ashmore (10)	30.00	18.25	1.50*	19.50	22.50	6.7
English Elec (10)	114.00	70.00	3.50	99.00	103.00	3.4
Hindustan Motors (10)	127.00	37.10	2.00	40.90	38.50	5.2
Remington Rand (10)	80.00	36.50	2.00	33.50	30.75	6.5
Uni Cables (10)	65.00	26.50	1.50	76.50	75.90	2.0

DELHI

Name/Industries 1	1985 Price range High 2 (Rs.)	Low 3 (Rs.)	Dividend per share 4 (Rs.)	Opening 14-7-86 5 (Rs.)	Closing 25-7-86 6 (Rs.)	Yield 7 %
Amrit Banaspati (10)	48.00	15.00	1.20*	45.50	40.00	3.0
D C M (25)	82.00	48.25	3.75	46.00	41.75	9.0
Escorts (10)	102.00	45.75	2.20*	109.00	105.00	2.1
Goetze India (10)	61.00	21.00	1.80*	57.00	60.00	3.0
Jagatjit Cotton (10)	—	—	1.40*	71.50	72.00	1.9
Kelvinator (10)	105.00	49.00	1.60	75.00	71.00	2.3
Modi Industries (10)	87.00	16.50	1.80	36.00	36.00	5.0
Prakash Tubes (10)	24.50	18.00	1.50	19.00	21.50	7.0

AHMEDABAD

Name/Industries 1	1985 Price range High 2 (Rs.)	Low 3 (Rs.)	Dividend per share 4 (Rs.)	Opening 14-7-86 5 (Rs.)	Closing 25-7-86 6 (Rs.)	Yield 7 %
Anil Starch (100)	225.00	147.00	18.00	182.50	183.75	9.8
Aruna (100)	200.00	105.00	15.00*	140.00	140.00	10.7
Atul Prod. (100)	667.00	311.50	20.00	471.00	465.00	4.3
Bharat Vijay (100)	255.00	167.50	10.00	202.50	205.00	4.9
Calico (125)	235.00	108.00	N.A.	129.00	126.00	. . .
Cellulose Prod. (100)	—	—	8.00*	90.00	90.00	8.9
Guj. Steel (100)	300.00	140.00	15.00	242.50	242.50	6.2
Mafatlal Ind. (100)	390.00	235.00	22.00	494.00	458.00	4.8
Vallabh Glass (100)	275.00	105.00	22.00*	100.00	100.00	22.0

MADRAS

Name/Industries 1	1985 Price range High 2 (Rs.)	Low 3 (Rs.)	Dividend per share 4 (Rs.)	Opening 14-7-86 5 (Rs.)	Closing 25-7-86 6 (Rs.)	Yield 7 %
Aluminium Ind. (10)	17.00	5.00	1.50*	7.50	8.35	18.0
Amrutanjan (10)	—	—	3.50	70.50	71.00	4.9
Andhra Cement (10)	—	—	1.50	22.75	22.75	6.6
Ashok Leyland (10)	58.00	25.00	1.80*	28.00	27.00	6.7
Enfield India (10)	101.00	45.00	2.00	59.50	55.00	3.7
Indian Cement (10)	46.00	20.00	2.00	24.50	26.00	7.7
Kothari Ind (10)	34.50	19.00	1.20*	16.00	15.25	7.9
Madura Coats (10)	69.00	27.25	2.50	52.50	53.50	4.7
Mysore Lamps (10)	84.00	40.00	2.50	68.00	70.00	3.6
Textool (100)	265.00	182.00	18.00	265.00	265.00	6.8

* Latest Available

Gainers	Between 14th July and 25th July
Ashok Leyland(10)	+ 0.50
Asian Paints(10)	+ 5.00
Atash Leasing(10)	+ 2.00
Atlas Copco(10)	+ 14.00
Avery(10)	+ 9.00
Bajaj Auto(100)	+125.00
Blue Blend(10)	+ 5.50
Bombay Dyeing(25)	+ 5.00
Brooke Bond(10)	+ 2.25
Century Spinning(100)	+ 10.00
Colgate(10)	+ 22.50
Essar Shipping(10)	+ 3.00
FICOM Organics(10)	+ 10.00
Food Specialities(10)	+ 26.25
Hind. Lever(10)	+ 11.00
Hoechst(100)	+ 70.00
Indian Organics(10)	+ 9.50
ITC(10)	+ 2.00
J.K. Synthetics(10)	+ 6.50
Larsen & Toubro(10)	+ 3.50
Mangalore Chemicals(10)	+ 2.00
Mukand(10)	+ 9.00
NOCIL(100)	+ 2.50
Otis(10)	+ 12.50
Pfizer(10)	+ 2.00
Premier Automobiles(100)	+130.00
Ranbaxy(10)	+ 13.00
Raymond(10)	+ 1.00
Tata Oil(25)	+ 4.00

Losers	Between 14th July and 25th July
ACC(100)	- 1.00
BASF(10)	- 4.25
Baroda Rayon(100)	- 7.50
Binny(100)	- 3.50
Birla Jute(10)	- 2.00
DCM(25)	- 5.50
E.I. Hotels(10)	- 2.00
Escorts(10)	- 3.75
Gwalior Rayon(10)	- 1.00
Indian Hotels(10)	-12.50
Indian Rayon(10)	- 4.50
Mahindra & Mahindra(10)	- 0.50
Modi Rubber(10)	- 0.50
Orkay(10)	- 5.00
Reliance(10)	-53.00
SPIC(10)	- 3.00
Standard Mills(100)	- 5.00
Samtel(10)	-20.00
TELCO(100)	-10.00
TISCO(100)	-40.00
Tata Tea(10)	- 6.00
Zuari(10)	- 1.00

Indian commodity prices

Commodity	Variety/Centre	1985		Prices as on	
		High	*Low*	*July 11, 1986*	*July 25, 1986*
Foodgrains (per quintal)					
Wheat	Desi-Delhi	285.00	222.50	270.00	260.00
Rice	Sela-Hapur	319.00	261.00	315.00	312.50
Gram	Desi-Bombay	607.50	437.50	410.00	377.50
Sugar (per quintal)	C-30, Bombay	783.00	475.50	592.00	606.00
Edible oils (per tonne)					
Groundnut	Wholesale Bombay	16,408.00	13,962.00	21,216.00	22,672.00
Mustard (tin)	K-Ghani-Delhi	197.50	175.50	242.50	262.50
Coconut	Cochin	31,750.00	14,700.00	19,850.00	19,500.00
Steel (per tonne)					
Rounds	6mm-Bombay	6,250.00	5,500.00	5,800.00	5,800.00
Angles	75x75x6mm	6,900.00	5,550.00	6,200.00	6,200.00
Non-ferrous metals (per quintal)					
Copper	Wire bar-Bombay	4,935.00	4,590.00	4,660.00	4,600.00
Lead	Bombay	1,265.00	1,210.00	1,465.00	1,460.00
Ferrous scrap (per tonne)					
Heavy melting	No.1 Bombay	2,500.00	1,950.00	2,700.00	2,650.00
Re-rollable	Bombay	4,325.00	3,275.00	4,200.00	4,175.00
Chemicals (per 50 kg)					
Soda Ash	Tata	312.50	177.50	181.00	180.00
Caustic	Flakes	385.00	300.00	385.00	375.00
Cement (per bag of 50 kg)					
Controlled		42.50	41.00	42.50	42.50
Open market		85.00	60.00	57.00	57.00

Commodity prices abroad

Commodity	Centre	Currency/unit	Prices as on	
			July 11, 1986	*July 25, 1986*
Gold	London	US$/ounce	350.35	352.00
	Zurich	US$/ounce	350.50	351.80
	Hong Kong	US$/ounce	350.80	352.20
Silver	New York	Cents/ounce	508.50	507.50
Copper (w.bar)	London	£/tonne	841.00-842.00	872.00-873.00
Soyabean oil	Chicago	Cents/pound	16.50	16.40
Palm oil	Malaysia	$/tonne	600.00	515.00
Castor oil	Rotterdam	$/tonne	725.00	700.00
Black pepper	Singapore	$/quintal	962.50*	962.50
Rubber	Malaysia	$/tonne	209.00-211.00	223.00-224.00

Nylon price spurt

An unexpected spurt in nylon yarn prices was the main feature of trading in the Indian commodity markets during the fortnight ended 25th July 1986.

Fibres, yarn. Nylon yarn prices, which had slumped to incredibly low levels (with the 15 denier yarn going abegging around Rs. 160 a kg) as a result of extremely poor demand.

One major yarn manufacturer, *viz.*, Nirlon has opted to virtually close down its nylon yarn plant and switch over to the manufacture of polyester filament yarn in order to take advantage of the recent broadbanding of yarn manufacturing licences. Consequently the quotation for 15 denier nylon yarn advanced to Rs. 185 a kg. However other synthetic yarns ruled steady. Cotton yarn prices, however, continued to remain depressed on account of poor offtake. Cotton fibre prices ruled quietly steady.

Edible oils. The rising trend in edible oil prices continued unabated on account of shortage of supplies and irregular progress of the monsoon. Groundnut oil prices which had advanced by about Rs. 2,000 a tonne in the previous fortnight moved up further by about Rs. 1,500 per tonne last fortnight, resulting in an increase of around Rs. 3,500 per tonne during the last month. Other edible oils also ruled distinctly firm in line with groundnut oil prices.

Foodgrains. Wheat and rice prices turned quiet on reports of satisfactory crop prospects this year. Gram prices, among pulses, registered a marked fall on account of increased arrivals.

Sweetening agents. Sugar prices ruled slightly better. *Gur* prices exhibited a hardening trend.

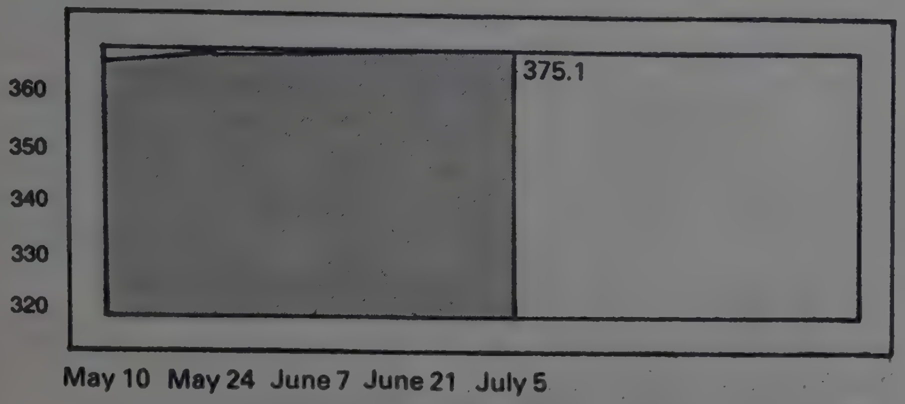
Steel, metals. Steel prices remained subdued. Among non-ferrous metals, copper prices tended to decline on lower overseas advices.

Dyes, chemicals. Caustic soda prices exhibited a quiet trend in the wake of a comfortable supply position. Chlorine prices, however, remained firm.

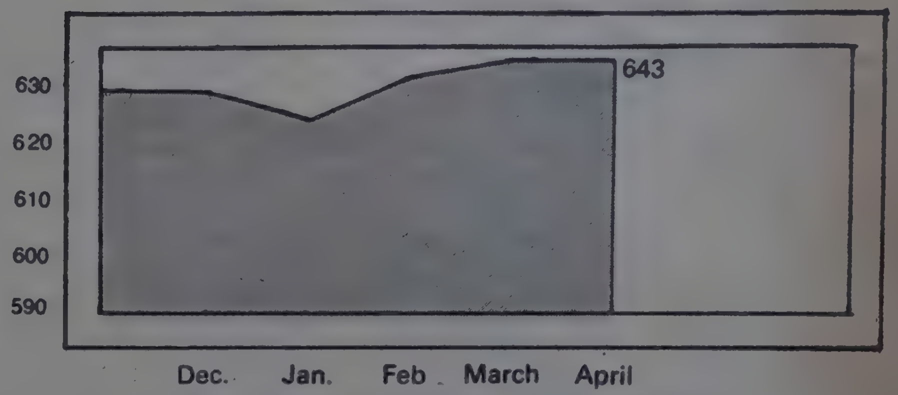
The *kirana* markets ruled steady in restricted dealings.

BusinessWorld
August 4—17, 1986

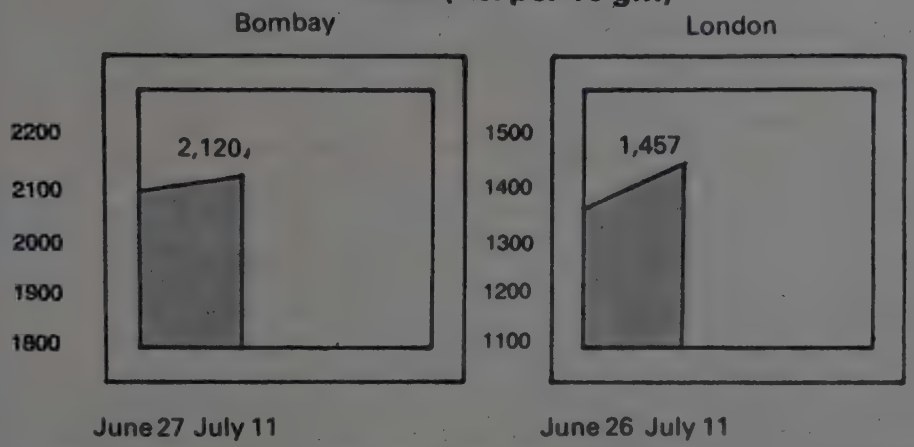
Wholesale Price Index (1970-71=100) 1986



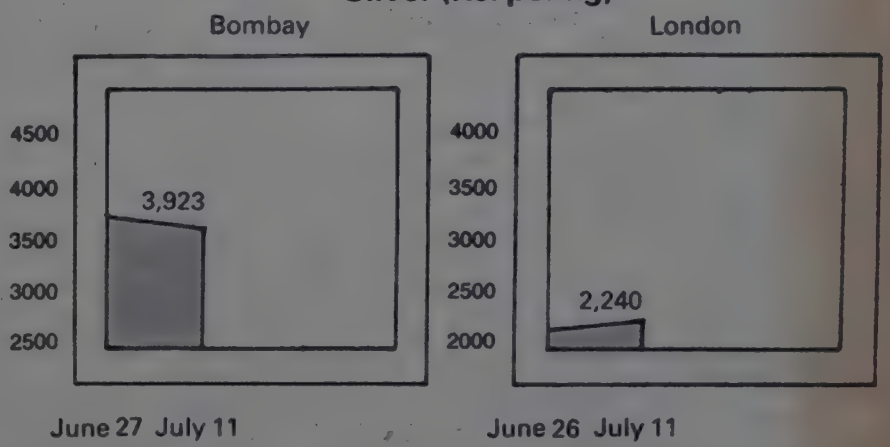
Consumer Price Index for Industrial Workers (1960-61=100) 1986



Gold (Rs. per 10 gm)



Silver (Rs. per kg)



London Interbank offered Rates (LIBOR) ruling on 22nd July 1986

	One month	Three months	Six months	One year
Sterling Pound	9.94	10.06	10.06	10.06
US dollar	6.52	6.52	6.52	6.63
West German mark	4.63	4.63	4.68	4.75
Japanese Yen	4.88	4.81	4.69	4.69

Source: The Merchant Banking Division of the Standard Chartered Bank

Domestic interest rates (% per annum)

	1985 July 5	1986 July 4
Bank Rate	10.00	10.00
IDBI (direct loans)	14.00	14.00
NABARD (refinance)	6.50	6.50
Call money rate* (Bombay)	10.00	10.00
Exim Bank (suppliers' credit)	9.00	8.50**

* Weighted averages of rates reported by selected banks

** Effectvie from 21st February 1986

*Money Supply (M3)	(Rs.crores)	% change over	
June 20, 1986	1,23,621	Fortnight	+ 0.7
June 6, 1986	1,22,749	Year	+16.5
June 21, 1985	1,06,072	Two years	+36.9

** Aggregate Deposits	(Rs.crores)	% change over	
June 20, 1986	91,636	Fortnight	+ 1.3
June 6, 1986	90,432	Year	+19.3
June 21, 1985	76,812	Two years	+41.1

*** Foreign Exchange Reserves	(Rs.crores)	% change over	
June 20, 1986	5,504	Fortnight	− 3.0
June 6, 1986	5,676	Year	+ 1.9
June 21, 1985	5,401	Two years	+17.9

Bank credit	(Rs.crores)	% change over	
June 20, 1986	81,982	Fortnight	+ 0.03
June 6, 1986	81,740	Year	+15.0
June 21, 1985	71,279	Two years	+34.2

Foreign Exchange Rates (Spot) 1985 Buying Rs.

	1986 July 11	1985 July 12
One P. Sterling	19.96	16.61
One US Dollar	12.47	12.02
One D. Mark	5.73	4.13
One hundred J. Yen	7.77	4.97

CSO Index of Industrial Production (1970=100) 1985

		1986	
July	192.6		
August	196.5	January	224.0
September	201.2	February	214.3
October	202.4	March	239.0
November	206.4	April	207.0
December	222.0	May	209.2

Notes: * *Comprises currency with the public plus deposit money of the public plus time deposit with banks*

** *Demand deposits plus time deposits with all scheduled banks*

*** *Including SDRs, excludes gold coins*

The Khaitan package

The impact of the takeover of India Foils Ltd. (IFL), the country's largest foil manufacturer, by the Calcutta-based Khaitan group in April last year is being felt in the company. *BW* readers with a long memory may recall that in the face of fierce competitive bids from both foreign and indigenous business groups, George William Association (UK) — a subsidiary of the Khaitan-controlled Macneill & Magor—finally breasted the tape by acquiring the sterling share capital of IFL (UK) from Alcan Aluminium Ltd., Canada (*BW* June 24-July 7, 1985).

After a year of relative calm, though corporate activity has continued unabated on IFL's expansion and diversification fronts, a change in the senior management is now imminent. According to reliable reports, S.S. Sanyal, president of IFL, is about to sever his 13 year link with the company.

Tipped to succeed Sanyal is A. Ray, currently vice president (commercial) of IFL. Meanwhile, the company is going ahead with the promotion of its Rs. 17.50 crore joint sector project Light Metal Industries, in collaboration with the West Bengal Industrial Development Corporation. IFL has also been granted permission to expand its capacity to produce rolling foils from 4,700 tonnes per annum to 6,000 tonnes per annum and negotiations are also on to acquire a Metal Box factory which has remained closed for over a year. In the meantime, with both Metal Box (which the Khaitans are busy baling out) and IFL in its fold, the Khaitan group now has the predominant share of the rigid and flexible packaging materials market in the country.

Curious criteria

The public sector managerial fraternity is agog with speculation on the circumstances of the rise, fall and rise of Dr. H.S. Cheema, until recently chairman of the Gas Authority of India Ltd. (GAIL). It may be recalled that Cheema was member (drilling) of the Oil & Natural Gas Commission (ONGC) when he was handpicked in 1984 for appointment as chairman and managing director of the then newly created GAIL. However, Cheema's two year term ended on 11th July and was not extended despite his being eligible. The very next day, he rejoined the ONGC in the modest position of adviser (construction) — a clear demotion given that he was earlier an exalted 'member' of the commission.

But Cheema's stars are obviously in the ascendant because soon after, the Public Enterprises Selection Board (PESB) convened a meeting of its high-powered selection committee — served by luminaries such as V. Krishnamurthy, Dr. S.Z. Qasim, Colonel S.P. Wahi (chairman of ONGC) and Russi Bilimoria, among others — to select a member (natural gas) for ONGC. This position has been vacant since last October when Dr. Anil Malhotra resigned his member's job to join the World Bank.

According to the proverbial reliable sources, Cheema lodged a last minute application to the PESB to consider his candidature for one of the two members' positions. This application was reportedly not routed either through the ONGC or through the ministry of petroleum and natural gas, as per convention, but was sent direct to the PESB. The board surprisingly accepted the application and the powerful selection committee duly "interviewed" Cheema along with over a dozen other aspirants.

As a consequence, there is intense speculation in public sector circles about the PESB's anxiety to rehabilitate Cheema. Given that the PESB can only recommend, will the appointments committee of the cabinet also give its recommendation the nod? But whether Cheema remains an adviser or becomes a member of the ONGC, either way one question is likely to be asked: if he isn't good enough for GAIL, how come he is good enough to be considered for a senior position in the ONGC?

Dawning maturity

Despite the setback that Indian industry has suffered due to the recent split in the Federation of Indian Chambers of Commerce and Industry (FICCI), resulting in the Bombay-based Indian Merchants Chamber (IMC) quitting FICCI altogether, there are some hopeful signs of some mature behaviour in the hitherto storm-tossed management councils of representative organisations of Indian industry.

Contrary to popular expectation, the other major representative organisation of Indian industry, the Associated Chambers of Commerce (ASSOCHAM) has not been very keen to take advantage of FICCI's discomfiture.

Instead, a top level agreement has been reportedly hammered out between FICCI and ASSOCHAM, under which the FICCI president will attend meetings of the ASSOCHAM managing committee and vice versa. In addition, the secretaries general of the two apex level representative organisations have agreed to meet informally once a month to ensure that, as far as possible, Indian industry speaks with one voice.

Poor timing

Thanks to the worldwide promotional efforts of chairman M.J. Pherwani and other senior managers of the Unit Trust of India (UTI), the Guernsey-based close ended India Fund for non-resident Indians and other foreigners jointly promoted by Merrill Lynch and UTI has been a sell-out success. The 75 million India Fund shares of £1 each offered at £1.0525 per share on 10th July, were oversubscribed within a few days thereafter. According to stockmarket analysts in Bombay, the success of the fund signifies the first step towards the internationalisation of the Indian capital market.

Yet, notwithstanding the encouraging response of offshore investors to the India Fund, indigenous stockmarket analysts entertain some misgivings about the impact of the equivalent of £ 75 million (Rs. 138.75 crores) being pumped into the already unjustifiably buoyant indigenous stock exchanges. The demand pull of this huge volume of investible funds is likely to boost equity prices at a time when corporate results are indicating a depressed trend. Not a few of these analysts express the view that given the flow of discouraging corporate operational results and the sly and gradual devaluation of the Indian rupee, purchasers of India Fund shares are unlikely to retain their purchases for the full seven year term of the close ended fund. This could not only result in a selling wave of the units by speculators looking for a quick buck, but could also erode foreign interest in Indian equities.

Certainly the timing of the public subscription of the India Fund could have been more appropriate and could have coincided with the post-Union budget period when equities need a boost. But now this is water under the bridge. In the circumstances, the best bet would be to cash in on the current euphoria and give the green signal to other funds such as the long pending Birla-S.G. Warburg and Nicco-Hambros funds which had been deliberately stalled to enable the public sector UTI fund to get off the ground first.

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BusinessWorld

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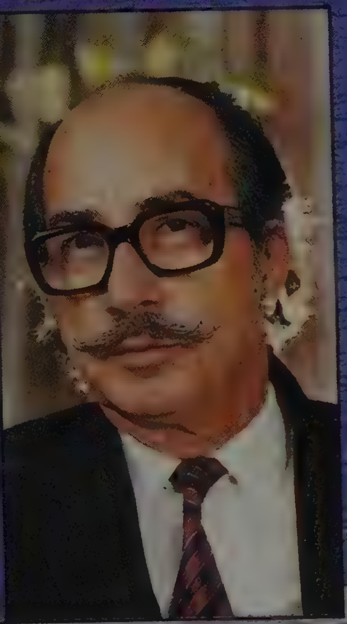
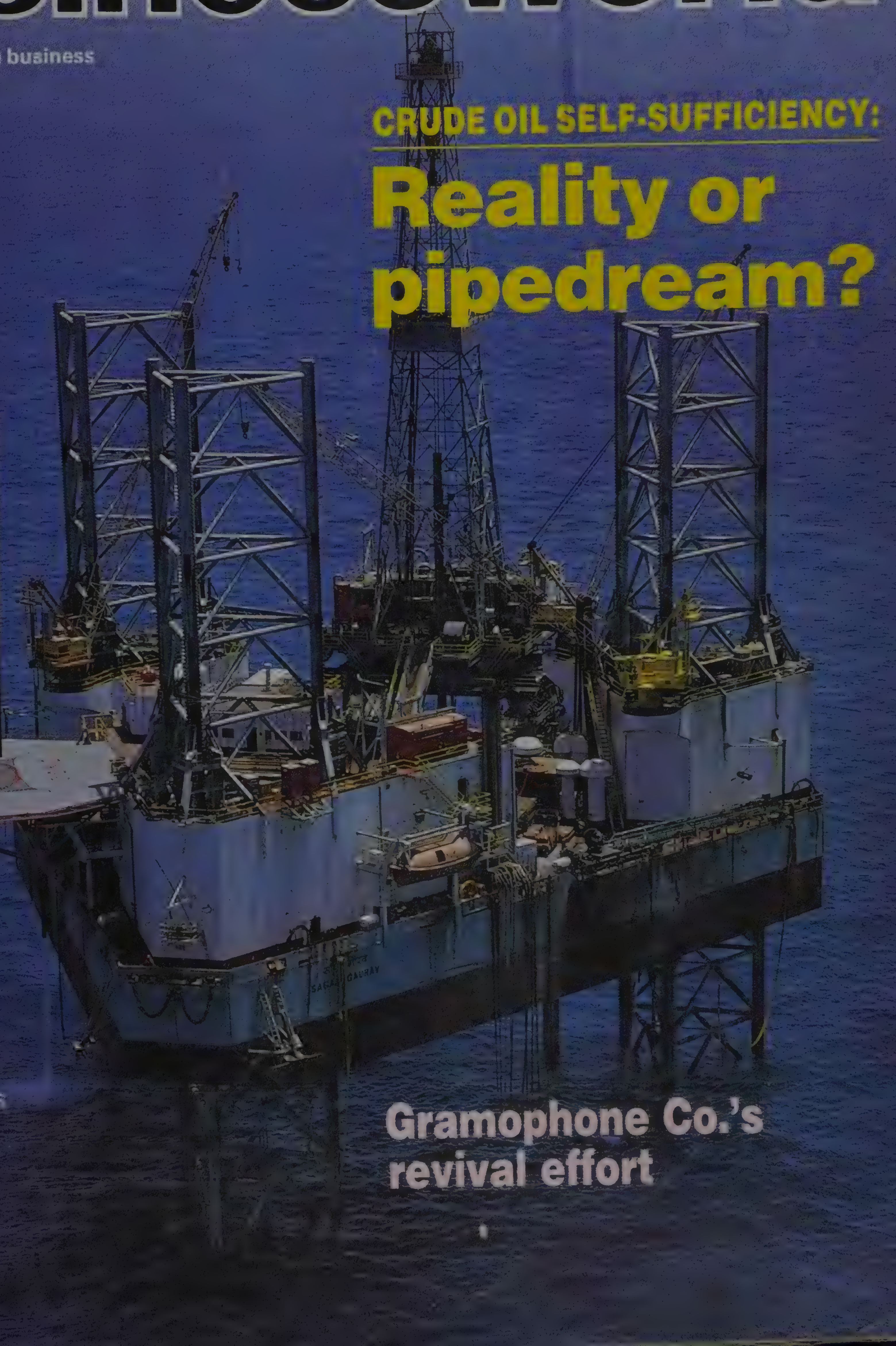
CRUDE OIL SELF-SUFFICIENCY:

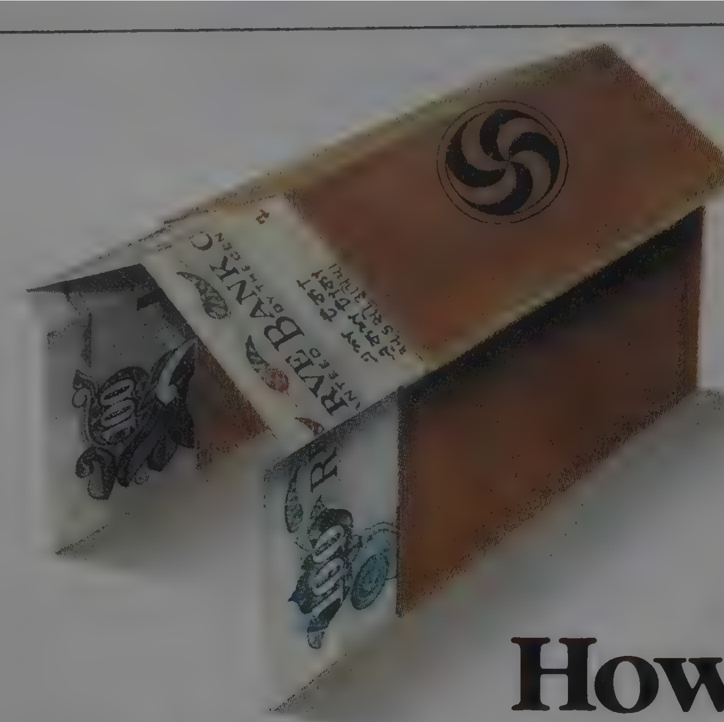
Reality or pipedream?

Colonel S.P. Wahi
hairman, ONGC





Gramophone Co.'s revival effort



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VOLUME 6, ISSUE 11, AUGUST 18-31, 1986. RS. 5

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the magazine for Indian business

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Inland Subscription Rates
One Year 26 issues Rs 110
Two years 52 issues Rs 220
Three years 78 issues Rs 330

BusinessWorld does not accept responsibility for returning unsolicited manuscripts and photographs. All unsolicited material should be accompanied by self-addressed envelopes and sufficient postage.

Published for Ananda Bazar Patrika Ltd. from 145 Atlanta, 209 Ceremonial Boulevard Nariman point, Bombay 400 021 by Ranen Chakrabarty and printed at Printwell, Laxmi Mills Estate, Off Dr. E. Moses Road. Mahalaxmi, Bombay 400 011

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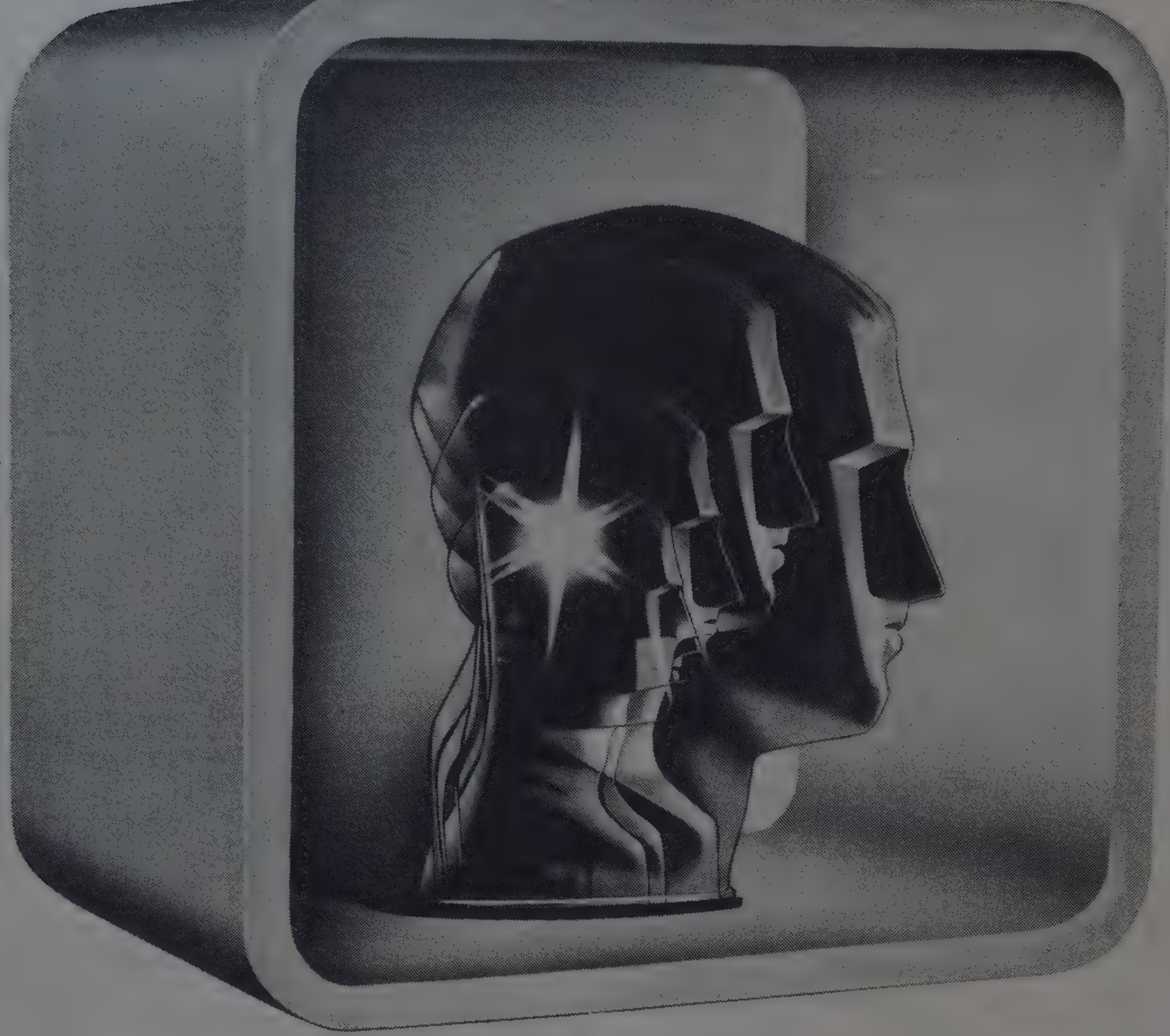

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BusinessWorld

Questionnaire

At the last annual editorial workshop of BusinessWorld held in early May, a decision was taken to conduct an informal reader survey to ascertain the strengths and weaknesses of this fortnightly. Given below is a questionnaire which readers are requested to complete and return to us to enable us to tailor BusinessWorld to readers' requirements.

Name: ____________________

Profession: ____________________ **Designation:** ____________________

Income: ____________________ **Age:** ____________ **Sex:** ____________

---

1. Which of these business papers / magazines do you read? (Please tick)

	Regularly	Occasionally	Infrequently
Economic Times	☐	☐	☐
Financial Express	☐	☐	☐
Business Standard	☐	☐	☐
BusinessWorld	☐	☐	☐
Business India	☐	☐	☐
Fortune India	☐	☐	☐
Update	☐	☐	☐
Others (specify)	☐	☐	☐

2. My areas of interest are (Please tick one or more)

- Corporate & business affairs ☐
- Economic policy/development ☐
- Political affairs ☐
- People & lifestyles ☐
- Art/literature ☐
- Investments ☐

3. Rank the following magazines on a 1 to 5 scale (5 for very good, 1 for poor) for the following attributes:

	Business-World	Business India	Update	Fortune India
1. Timeliness of information				
2. Depth of information				
3. Range of information				
4. Depth of analysis				
5. Language & style of presentation				
6. Quality of printing & visuals				

4. How much time do you spend in reading an issue of BusinessWorld?

____________ **hours.**

5. How much of BusinessWorld do you read? (Please tick one)

a) The entire magazine ☐
b) More than half the magazine ☐
c) More than a quarter of the magazine ☐
d) Less than a quarter of the magazine ☐

6. **Which of these features in BusinessWorld do you usually find interesting and read? (Please tick one or more)**

1. Cover Feature ☐
2. Spotlight ☐
3. Business News ☐
4. In the News ☐
5. International News ☐
6. Offstage ☐
7. Editorial ☐
8. Company News & Events ☐
9. International Briefs ☐
10. Entrepreneurs ☐
11. Leisure ☐

7. **Which of these specialist pages in BusinessWorld do you read and find interesting (Please look at the shoulder heads inside the magazine pages if you are not sure)?**

a) Political Comment ☐
b) Banking & Finance ☐
c) Economic Comment ☐
d) Taxation ☐
e) Management ☐
f) Computers ☐
g) Careers & Professionals ☐
h) Mediatrends ☐
i) Book Serial ☐
j) Business Information ☐
k) Marketing ☐
l) Investment ☐

8. **In order to suit my requirements better, BusinessWorld should have**

fewer main feature stories. ☐
the same number of main feature stories. ☐
at least one more main feature story. ☐

9. **The lead features (cover & spotlight) should be**

shorter ☐ same length ☐ longer ☐

10. **BusinessWorld's coverage of the following items. (Please tick one column for each entry):**

Items	Is adequate	needs to be expanded	needs to be reduced
Technology	☐	☐	☐
Marketing	☐	☐	☐
Management	☐	☐	☐
Corporate finance	☐	☐	☐
Investment/stockmarkets	☐	☐	☐
Computers	☐	☐	☐
Book reviews	☐	☐	☐
Economic policy	☐	☐	☐
Policy analysis	☐	☐	☐
Corporate performance analysis	☐	☐	☐
Corporate case studies	☐	☐	☐
Behaviour	☐	☐	☐

11A. **Do you buy your copy of BusinessWorld from the newsstands or are you a subscriber?**

A. Newsstands ☐ **B.** Subscriber. ☐

11B. **If A, do you find it difficult to get a copy of BusinessWorld on the newsstands?**

Yes ☐ No ☐

12. **How soon after the magazine is published each fortnight do you receive your copy of BusinessWorld?**

1—3 days ☐ **3—6 days** ☐
6—12 days ☐ **Longer than 12 days** ☐

13. **Do you have any other suggestions to improve BusinessWorld?**

BusinessWorld
August 18—31, 1986

Being essentially a newsstand magazine, the choice of cover story to a significant extent influences the sales of a particular issue of *BusinessWorld.* Yet, unfortunately the type of cover feature which would positively influence my own purchase decision on the newsstand is not completely in tune with those of a large number of readers. For example an in-depth and comprehensive feature on Indian Railways or on the Indian farmer ('Why Bharat has declared war on India?'— *BW* July 16-29, 1984) would interest me a great deal. Not only because these subjects are seldom covered in depth in the media, but also because the performance of the railways or the average farmer is of vital importance to economy and the well being of the citizenry in general.

However, such stories must be — and will be — written in *BusinessWorld,* notwithstanding declines in sales — which fortunately vary only in the 5%-10% range. They are too important to be neglected. And one such story is that of the Oil & Natural Gas Commission, the public sector oil exploration and drilling behemoth (operating revenue: Rs. 4,224.94 crores in the year ended 31st March 1986).

The contribution of the men who manage — and managed in the past — this organisation to the Indian economy is perhaps immeasurable. But for the all-too-timely oil strike in Bombay High in the mid seventies just after the now chastened princes of OPEC quadrupled the price of crude oil almost overnight, the Indian economy would undoubtedly have been reeling under the impact of Latin American style inflation and external indebtedness.

To write this fortnight's cover feature on ONGC and its chairman and chief executive, Colonel S.P. Wahi, who has drawn up an ambitious plan to make India self-sufficient in crude oil and/or natural gas, our Calcutta-based correspondent Sujoy Gupta flew to New Delhi and Dehra Dun.

And in our second lead feature, assistant editor Debjani Sinha and freelancer Sandip Ray beam the spotlight on the Gramophone Co. of India Ltd. — better known as HMV — which is making a grand revival effort under a new management.

Before I sign off, a brief apology for the quality of the paper of our issue of 4th August and this issue as well. India's largest trading company — the public sector STC — has run out of glazed newsprint which we usually use. The merchant ship *Jala Rashmi* which sailed from Sweden on 16th May for Calcutta with a consignment of glazed newsprint for the Ananda Bazar Group publications, is yet to berth in Calcutta!

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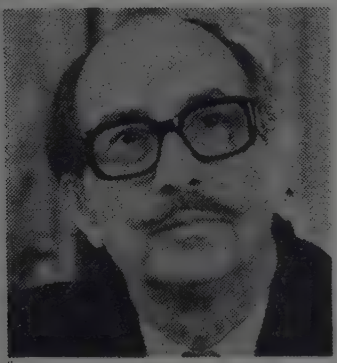

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BusinessWorld
August 18—31, 1986

World Development Report: right prescription at the wrong time

For three successive years now, India's buffer stock of foodgrains has expanded inexorably, and is now estimated to aggregate 30 million tonnes. This surplus is stored and transhipped as required by the public sector Food Corporation of India which is subsidised by a staggering annual draft on the exchequer estimated at Rs. 1,200 crores. Notwithstanding the fact that such large food surpluses indicate a grievous failure of economic policies in the context of almost 40% of the country's population continuing to live below the poverty line, at least some analysts interpret this trend as signalling the emergence of an era of permanent and growing food surpluses.

Quite obviously, the World Bank, which along with its affiliate the IDA, is this country's largest source of concessional loans, also subscribes to this view. Notwithstanding its refusal to put its views down in unambiguous terms, the bank in its recently published *World Development Report 1986*, is critical of the heavy cost of India's large food 'surplus.'

On the face of it, this interpretation cannot be faulted. The country's foodgrains buffer has grown from a mere 12 million tonnes in 1983-84 to 23 million tonnes in 1984-85 and now to 30 million tonnes in the recently concluded year, despite the fact that averaged per capita incomes have increased by over 2.5% per annum during this period. Given this, it is perhaps not entirely surprising that more than a few monitors of the Indian economy have demanded that steps be taken to liquidate the surplus and prevent its augmentation in view of the high inventory costs of maintaining it. The *World Development Report* goes even further in suggesting that direct and indirect subsidies on food are not consistent with long term agricultural growth and result in short term distortions as well.

In particular, the bank's economists argue that subsidies on fertilisers and irrigation, on the input side, and on food prices through the mechanism of distributing low price food through fair price shops on the output side, result in a burden on the exchequer which is perhaps excessively high and therefore unjustified. Here again, in view of the fact that direct and indirect subsidies of Central government on the production and distribution of food are heavy — an estimated Rs. 3,700 crores per annum currently — there can be no quarrel with the bank's argument *per se*. The only question then is about the speed with which subsidies of farm inputs and food should be eliminated and the timing thereof.

And in this respect, the bank's implied recommendations that this country should dismantle the system of subsidies and other incentives to growers and consumers of foodgrains right away, is disputable. Foodgrains production in fiscal 1985-86, according to recently published Centre for Monitoring the Indian Economy estimates, aggregated a mere 146.5 million tonnes or nearly 3 million tonnes less than aggregate production in 1984-85. The less than adequate monsoon this year indicates that the *kharif* crop of 1986 is also likely to aggregate to less than the targeted 89 million tonnes, and aggregate production during 1986-87 is therefore unlikely to be substantially higher than that of 1985-86.

Thus a substantial rundown on current surpluses, rather than any further augmentation, is the most likely scenario for the next two years. Consequently, security considerations if nothing else, would dictate that any attempt to adopt policies that decelerate growth of foodgrains production in the short term should be discouraged.

Unique opportunity

Secondly, even if the next three agricultural seasons are normal, and the food surplus is actually augmented, there is no cause for excessive concern on this score. Large food surpluses offer this country a unique opportunity of pushing full steam ahead with anti-poverty and nutritional programmes such as the food-for-work and integrated rural development programmes which — if efficiently administered — can result in multiple beneficial spin-offs, the most important of which is a reduction in infant mortality and consequently, the adoption of the small family norm. Another critical programme — that of the re-afforestation of the country — can also be part financed with surplus food, and this again is likely to generate multiple benefits including employment, energy conservation and ecological preservation.

Certainly, it is quite on the cards that by the end of the Seventh Plan, the foodgrains production target of 175 million tonnes for the terminal year of the plan will be achieved. Thus by the beginning of the Eighth Plan period (1990-95), a real as opposed to illusory food surplus is likely to be created, and could then pose a problem. This, because primary commodity prices are experiencing a secular decline worldwide, and unless costs of production in India fall sharply and/or food price subsidies in the US and Europe are reduced by large margins, Indian foodgrains exports are unlikely to be competitive.

In the light of these international realities, the bank's basic premise that input and output subsidies of any kind are intrinsically counter-productive and wasteful is questionable — certainly in the Indian context. Such mechanisms constitute tried and tested means of ensuring that in the short term, the potentially productive poor have access to food. Nonetheless it is also true that in the long term, consumer subsidies reduce farm gate prices in the rural hinterland and decelerate the rate of growth of rural incomes upon which, in the final analysis, the growth of industry in third world countries is dependent. Undoubtedly, designing policies which offer better farm gate prices to farmers is one way of boosting agricultural production and simulating demand within the economy as a whole.

Gradual reduction

The use of better water management systems and cropping techniques within the agriculture sector necessitate the goading of third world farmers into adopting methodologies to utilise scarce resources — water, fertilisers, power and credit — prudently and efficiently. This can be best achieved by a gradual reduction in input subsidies, i.e. on water, fertiliser and credit, which will not only help achieve the goal of boosting production while reducing the burden on the exchequer, but also help to make Indian agriculture internationally competitive.

Admittedly, the World Bank itself makes similar recommendations, albeit without the caveat that a gradual phasing out of subsidies is imperative in the Indian context. In part, this may be because the bank's report is not designed to be a country study, and the focus of its concerns are more appropriately on the African continent than on India. Yet, it must be observed that the bank, more by implication than in specific comments, shows less than adequate concern for the immediate needs of the poor — a failing that appears to permeate its current thinking. It is in this respect that policy perspectives in India must diverge from those of the bank.

Not so successful

SIR—This is regarding your Cover Feature 'Cadbury's sweet taste of success' (*BW* May 12-25, 1986).

In my opinion, some of the facts and figures mentioned in this article unreasonably magnify the achievements of HCPL. Take, for example, the table on the chocolate brand market share. To a layman, Cadbury's appears to have an overwhelming 60.4% of the total chocolate brand market in India. Amul with 11.8%, Parry's with 9.5%, etc. are way behind. But as it can be seen in the marketplace, this is not so. Though the total business turnover of HCPL must have increased because of its growth in the market and other influences, they are facing tremendous challenges in recent years and perhaps are no longer as comfortable or as successful as they were a few years ago.

The reasons for Cadbury's success is that it has a wide product range which includes chocolate derivatives such as 5-star, Gems, Nutties, Krisp and of course,the 40 gm and 80 gm bar chocolates. Its competitor is Amul which markets only 40 gm bars. If with this single variety it has a market share of 11.8%, how does Cadburys' corresponding market share of the 40 gm bars compare?

Parry's Nutrine is perhaps a very new entrant to the kind of products being marketed by HCPL. Hence, taking into account all these factors, Cadbury managers need to put considerable rethinking into the means and ways to fight their competitors who have fewer brands but adequate market shares.

It makes no sense to make a market share study on a turnover basis in such a situation. If brand comparisons are made, Cadbury, perhaps, will not look as glorious as made out by the author of the article.

Aditya Kumar Bisoi
Bhubaneswar (Orissa)

Oh Calcutta!

SIR—The Spotlight article 'The pains & pleasures of a Calcutta posting' (*BW* July 21-August 3) made interesting reading. I have been comparing my own position with every word and comment that appeared in the article.

I came to Calcutta very recently on a posting at a managerial level. I took the offer as a challenge. My life would have been tough but for the fact that my employer company has given me a big house in a posh locality—New Alipore—and as I had brought my car with me, I solved the two major problems of housing and transport.

However, looking after my possessions is an ordeal, as theft is a common phenomenon in this metropolis. The cost of living is high, roads are deplorable, and driving is risky. Every now and then there is some agitation or the other. But these are the negative aspects.

Now for the positive features. I came from Madras where society is very narrow-minded. In Calcutta, the citizens are broad-minded; they have no time for superficial matters. Personal relationships are excellent and there is a fraternity and affection shown here which compares well with that existing in Bangalore or Pune.

On my arrival in Calcutta, even before my household articles and car had reached here, the people in the locality came round and welcomed me with affection. When my son fell ill, my neighbour brought a doctor. Although Calcuttans are tinged with laziness and lethargy (I am told that the Calcutta climate is to a great extent responsible for this), there is a general desire to help—one of the most heart-warming features of living in Calcutta.

If somebody says that Calcutta is dying, he is wrong.

U.S. Iyer
Calcutta

Ganguly's slip-up

SIR—In your Banking and Finance column (*BW* July 7-20, p.15) A.K. Ganguly writes that after Peerless lost its case in the Calcutta high court, it had to move the Supreme Court on the grounds that it did not come under the Prize Chits and Money Circulation Schemes (Banning) Act, 1978. This is untrue. On the contrary, the Calcutta high court held that Peerless came under the purview of this Act, but in a subsequent ruling by a division bench, Peerless was allowed to continue its business, provided it observed clause 19 of the Non-Banking Financial Companies (Reserve Bank) Direction 1977. This meant that it could accept deposits from the public, but only for 36 months. In fact, the Reserve Bank of India has decided to go in appeal to the Supreme Court against the judgement of the division bench of the Calcutta high court.

Kindly issue a correction in this regard.

Atul Gupta
Calcutta

Unfair comparison

SIR—I refer to the Management article 'Finesse in refusal' (*BW* June 23-July 6, p.41) by Krish Pennathur. The author is unfair in comparing American managers with their Indian counterparts in the art of refusing to accede to unreasonable requests from subordinates.

We Indians are unprofessional and do not hesitate to make unreasonable demands. Also, we often do not hesitate to exploit kindness, mistaking it for weakness, particularly if a manager appears to be appreciative of his subordinates' viewpoint and problems. Obviously, Indian managers are increasingly compelled to refuse such unreasonable demands.

Is the comparison fair?

P.S.Vinoda Babu
Rudrampur (Andhra Pradesh)

Dangerous concentration

SIR—I refer to the Political Comment article 'Linguistic anti-nationalism' (*BW* July 21-August 3, p. 12) and fully endorse Mr. Kamath's view. In retrospect, the Union government has taken a very unwise decision by putting all its eggs in one basket, i.e. Bombay.

Consider the following: Bombay has two railway headquarters *viz*. the Central Railway and the Western Railway headquarters. Why not give either the C.R. headquarters to, say, Bhopal or the W.R. headquarters to Baroda? Bombay is also the headquarters of both the Reserve Bank and the State Bank. Why not shift one of them to, say, Trivandrum or Bhubaneshwar?

Similarly, Bombay has been allotted several institutions of national importance: BARC, TIFR, IIT, NITIE. Why not headquarter a few in deserving states such as Kerala or Orissa? Similarly, Bombay is the HQ of LIC, Shipping Corporation of India and Air-India. So now you know the reason for the Shiv Sena's militancy: they have everything, hence they don't lose anything and gain everything by becoming a separate nation.

The concentration of other 'goodies' has been vividly demonstrated by Mr. Kamath. Now pray, is it surprising that people are flocking to Bombay?

Kerala has the largest number of non-resident Indians. When these Gulf Keralites demanded an international airport in Kerala, the demand was turned down. Today, few Gulf route Air-India flights touch Trivandrum. Many foreign airlines are clamouring to operate through Trivandrum. But the government has no intention of making it a full-fledged international airport. Instead in its wisdom, the government considered it convenient to develop Bombay airport.

Besides the political problem created for non-Marathi speaking residents of Bombay, from the security point of view also it is a great mistake to concentrate everything in Bombay. Mr. Kamath says that Maharashtra without Bombay will amount to nothing. I will go to the extent of saying that India without Bombay will amount to nothing. If a bomb is dropped on Bombay, it would be a great disaster.

It is high time we realised this. Let the government put a ban of the siting of Central projects in metro cities—especially Bombay—and shift a few out of the city. In that manner, perhaps, the influx into the city will stop. That, at least, should appease the Shiv Sena!

S.P. Shetti
Bombay

Race to disaster

SIR—I refer to the Political Comment article 'Hobson's choice' (*BW* May 26-June 8, p.13). Kudos to Mr. Kamath for his lucid analysis of the prevailing politics in our country and the lack of credibility of our major political parties.

To sum up, suffice it to say that we are heading towards a disaster. Those at the helm of affairs, instead of building a strong, united homogenous nation, are paving the way to disintegration, thereby issuing an open invitation to the super powers to interfere and settle our differences *a la* Afghanistan. Perhaps our politicians want history to repeat itself—indeed, are actually urging it to do so.

S.T.V. Raghavan
New Delhi

Newspaper prices

SIR—I refer to the Business News article 'Fourth estate cleavage' (*BW* July 21-August 3). Michael Neri has analysed well the present position of newspaper managements vis-a-vis readers and journalists.

To a layman, the continued rise in the cost of his newspaper is irksome. Colourful, big ads eat away a sizeable portion of his reading matter. He naturally feels that the price rise of his favourite paper is not justified. Of course, he is not aware that the price of newsprint has shot up to Rs. 6,980 per tonne, registering a mighty 53% increase compared to five years ago. But then, he is also conscious of the fact that with all the modern technology adopted in producing his paper and presenting it to him, well printed, it costs the publishers a pretty penny.

It is a pity that with the increase in readership and literacy rates, reading material for the common man is becoming dearer. However, it has to be admitted that on the production side our country is not producing enough newsprint to cover our needs, thereby necessitating imports. Consequently, costs are bound to escalate. To overcome these constraints, the three important newsprint mills in Madhya Pradesh, Karnataka and Tamil Nadu and also one in Kerala are expected to reduce the quota of imported newsprint by a sizeable Rs. 80 crores within a couple of years. One feels hopeful that the World Bank's aid and increased power generation will help avert a further escalation in newsprint prices.

T.S. Shankaran
Bangalore

Consensus methodologies option

SIR—I refer to the Business News article 'The fear of imports' (*BW* July 7-20, p. 19). The writer indicates that apart from the amazing success of Dr. Satyen Pitroda's Centre for Development of Telematics (CDOT) nothing much is going well for the department of telecommunications (DOT). How can things go right, when the DOT is steeped in the bureaucratic culture of incompetence that is still the norm in North Block, South Block, East Block and West Block?

The CDOT venture is a success, because the helmsman is a person with knowhow, initiative and drive and he has been given the freedom to work creatively. Of course, the fact that Dr. Pitroda, whose services were known to be valued at around $500,000 a year in the US, was willing to offer them to India at Re. 1 per year, must have influenced the attitude of the government considerably.

There are a large number of people in the country (and even, I am certain, in DOT and in every other department) who are entirely capable of taking up challenging projects such as the CDOT and seeing them through successfully. Most of them have not had the opportunity of proving themselves to be worth half a million dollars a year in the US and most probably they would not be in a position to offer their services at Re. 1 per year. Nonetheless, given the freedom to express their creativity, they'd do as well as Dr. Pitroda.

I would like to point out that the powerful consensus methodologies approach to problem-solving and decision-making, if effectively applied, can help to oil the wheels of the bureaucratic machinery of government as well as that of its limbs such as the DOT. In brief, these methodologies enable the people involved in a problem situation of any nature, to articulate all aspects of it in terms of simple models showing the impact of one factor upon another.

The bureaucratic culture dies very naturally in any organisation where these techniques are in operation. Should these techniques be effectively used by the governments and limbs thereof such as DOT, successes such as Dr. Pitroda's with CDOT would not be so rare and would not appear so amazing.

G.S. Chandy
Bangalore

NELCO storm

SIR—I refer to the letter 'NELCO's service,' (*BW* June 23-July 6).

I am a proud owner of three NELCO photocopiers and am one of NELCO's oldest customers. I have had these machines for the last two years and till today have had no difficulty at all in getting spares or service from NELCO due to the excellent performance of the machines. The current manager P. Radhakrishnan is a fine and dependable person who understands the difficulties of owners and is extremely helpful. Because of this there are numerous repeat orders for NELCO copiers from satisfied customers like me.

Hence, I feel that the matter published in your magazine has no substance whatsoever. I wonder how a reputed journal of your calibre could publish such a letter without prior confirmation?

S.N. Balasubramaniam
Karthik Enterprises
Madras

In the same way as we are publishing your letter without checking your antecedents. If our staffers spend all their time investigating the antecedents and motivations of letter writers, who would bring out the rest of the magazine?—Editor

JULY 26

The Union minister of state for defence production Sukh Ram has advised the state-owned Bharat Electronics Ltd. (BEL) to "offload low technology and low value items to concentrate more on meeting the demands of the defence sector" (*BS*).

JULY 27

Army personnel took up positions in trouble-torn Kalimpong in Darjeeling district following large-scale violence and police firing in which at least five persons were killed and several others injured after the Gorkha National Liberation Front's call for burning the Indo-Nepal treaty (*ET*).

JULY 28

The Union government has decided to set up a national level standing committee to examine the various problems faced by women entrepreneurs (*ET*).

The industry minister N.D. Tiwari said in the Rajya Sabha that the government has not taken a final decision regarding the entry of PepsiCo into the Indian soft drinks market (*ET*).

JULY 29

The finance minister V.P. Singh has announced a wide range of excise duty concessions on a number of items including leather, chemicals, coffee, raw materials and components for television sets, etc.

The State Trading Corporation has signed an agreement with Bangladesh to export 100 buses to that country (*FE*).

JULY 30

The Joint Evaluation Committee set up by the Union government to reassess the polysilicon technology developed by Mettur Chemicals and Industrial Corporation has found this indigenous process satisfactory (*FE*).

ONGC has discovered a huge reserve of oil at Kikalur in the Krishna-Godavari basin.

JULY 31

Prime minister Rajiv Gandhi said in the Lok Sabha that the affairs of Reliance Industries would be scrutinised on merits and action would be taken after the enquiry committee appointed for the purpose submitted its report (*ET*).

AUGUST 1

The finance minister V.P. Singh announced a selective amnesty scheme for excise and customs duty evasion with a deadline of 31st December 1986. The scheme will be applicable to manufacturers of excisable goods and importers of cargo who paid lower customs duties up to 31st December 1984 (*BS*).

The Union government has decided not to allow a premium on the shares of new companies.

AUGUST 2

The Union government has decided to set up an endowment fund from the balance of PL-480 funds lying unutilised in the country.

AUGUST 3

The crucial seven-nation Commonwealth mini-summit on South Africa convened in London. Six nations — India, Australia, Canada, the Bahamas, Zambia and Zimbabwe — supported sanctions against South Africa, isolating the UK which continued to resist the sanctions proposal.

A suspension order has been served on P.C. Sen, the chairman of Burn Standard & Co. (*ET*).

AUGUST 4

The governing board of the Bombay stock exchange banned short sales in Reliance shares.

The Union finance minister presented a 'discussion paper' to Parliament on administered prices.

AUGUST 5

The Union government has decided to write off the accumulated losses of the public sector units functioning under the administrative control of the Department of Public Enterprises. The cut-off date has been fixed at 31st March 1986.

AUGUST 6

The Union industry minister said at New Delhi that the self-employment scheme for the educated unemployed would be extended for the rest of the Seventh Plan.

Thirty-two persons were killed and 37 injured when the 162 DN Amritsar-Tatanagar Express collided with a goods train at Paiamau, Bihar.

AUGUST 7

The Industrial Development Bank of India has liberalised the debt-equity norms for the small-scale (from 1.5:1 to 3:1) and the medium-scale (from 1.5:1 to 2:1) i dustrial units (*ET*).

AUGUST 8

The Union government has decided t extend the admissibility of cash com pensatory support on "deemed exports up to 31st March 1989 (*FE*).

BS=Business Standard, ET=Th Economic Times. FE=Financial Expres

NEXT FORTNIGHT

August 18 to 29
Port marketing and pricing
Venue: IIPM, Calcutta
Organisers: Indian Institute of Port Management, Calcutta-43
(Tel: 459720)

August 20
Crucial managerial and organisational problems
Venue: Centaur Hotel
Organisers: Bombay Management Association (Tel: 2049698)

August 25 to 27
Manpower planning
Venue: CIRT, Pune
Organisers: Central Institute of Road Transport, Pune (Tel: 83477)

August 25 to 30
Computer usage for senior administrators
Venue: Bella Vista, Hyderabad-49
Organisers: Administrative Staff College of India, Hyderabad
(Tel: 36956)

August 25 to 30
Environmental management-12
Venue: Bella Vista, Hyderabad
Organisers: Administrative Staff College of India, Hyderabad
(Tel: 36952)

August 25 to 27
Value analysis
Venue: Welcomgroup Adayar Park, Madras
Organisers: Madras Management Association (Tel: 475800)

August 26 to 28
Electronics super market
Venue: West End Hotel, Bangalore
Organisers: Conventions & Congresses, Pune (Tel: 411001)

August 30
Consultancy methodology and styles appropriate to India
Venue: Hotel Oberoi Towers, Bombay
Organisers: Management Consultants' Association of India, Bombay (Tel: 2022427)

APPOINTMENTS

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APPOINTMENTS

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BusinessWorld
August 18—31, 1986

Unwarranted indignation

ARUN GANDHI

In case there is any doubt in anyone's mind, recent events have proved there is a great deal of wisdom in the old saw: "People in glass houses..." There is news that BBC's Channel Four has prepared a documentary on how ineffective India's economic and trade sanctions against South Africa are and how Indian businessmen and often even the Indian government contravene the official ban on trading with that unfortunate country ruled by its white minority regime.

It is not as though Rajiv Gandhi is not aware of this. Much has already been written on this subject and, in fact, last year the enforcement directorate arrested some six to eight Bombay merchants for violating the ban on trade with South Africa. If the government and the prime minister are under the impression they have knocked the base out of the illegal trade they are quite mistaken. They haven't even chipped the tip of the proverbial iceberg.

LEGAL LOOPHOLES

It is bad enough that India should currently have an estimated £ 10 million (Rs.18.5 crores) annual trade with South Africa but what is infinitely worse is that the government itself is not averse to seeking loopholes in the law to earn tainted South African rands. Consequently, from time to time the Union government has permitted Indian cultural groups to visit South Africa — people such as actor-singer Kishore Kumar and several other film artistes, dancers, religious leaders and philosophers. The only saving grace of this situation is that in this respect, the record of the frontline states and other African countries is no better.

When I had brought this to the notice of Pandit Jawaharlal Nehru in 1961, his argument was that we could not ignore the cultural needs of the Indian community in South Africa and this has been the line of argument maintained by South Block ever since. There are some obviously strange aspects to this argument. First of all, if the government of India cannot ignore the cultural aspects of the Indian community it provides cover for a very vast area of operations. The 'cultural' needs of the Indian community can include their clothing and food requirements and all the other paraphernalia that Indians need. Then why the trade ban at all? It is obvious the only trade we have with South Africa is in Indian commodities meant for the 1 million Indians living there.

The other ludicrous aspect about this argument is that when anyone questions South Block about permitting cultural groups to go to South Africa, they wave a declaration signed by all members of the touring group to the effect that they will not accept any monetary reward while in South Africa. It implies that the government does not want to touch the tainted rands.

However, does the government expect anyone to believe that professional singers, dancers and other artistes would go on four and six week tours of South Africa for the love of the community? The paper that the ministry of external affairs makes them sign is as meaningless as the practice of not stamping South African passports with the usual immigration department rubber stamp used on the passports of all incoming and outgoing passengers.

The prime minister, thanks to his insensitive speech writers, stuck his foot in his mouth when he made the pompous statement that Britain should realise that human dignity is more important than material gains. We don't have a very grand record in that respect to boast of either. The prime minister should know by now that in spite of all his efforts to project a clean image, human dignity in India is measured by one's bank balance. Besides, let us not forget that we have not yet overcome caste and communal prejudices in this country. And these prejudices will not vanish simply because we have enshrined equality in the Constitution.

The Channel Four documentary made by BBC exposing our hypocrisy must be viewed in this context. Let us not jump to conclusions that the British too have become racists in their outlook and are trying to isolate the black nations of the world. Nor am I trying to justify the actions or speeches made by the British prime minister Mrs. Thatcher on the question of sanctions and the boycott of the Commonwealth Games.

She is reported to have told a Canadian delegation that it was a pity South Africa had ever left the Commonwealth. It should, according to her, have remained a member. When countries started boycotting the games she said brusquely: "It doesn't matter who pulls out of the Commonwealth Games, it will not help end apartheid in South Africa."

Of all the senseless statements that Mrs. Thatcher has made, perhaps this one was the most sensible. I too felt that the boycott of the Commonwealth Games was the stupidest thing that the Afro-Asian nations could do. It didn't hurt South Africa at all and couldn't have caused more than some embarrassment to Britain.

EQUAL MEMBERS

But one point became quite clear. In spite of our independence (I use the word "our" to cover all the boycotting nations) we betray a subservience to Britain. Is the Commonwealth an organisation with everyone enjoying equal rights or is it an organisation which belongs to Britain, in which we can remain only so long as Britain does not do anything to embarrass us? The Commonwealth Games, I believe, were organised by an institution of which we are equal members. Britain was merely hosting the games. Can one boycott one's own function merely to embarrass the host?

What is even more idiotic than the boycott of the games is the threat by some of the NAM countries — led by Zambia — that they will walk out of the Commonwealth if Britain does not fall in line. Why on earth should we walk out of the Commonwealth because Britain refuses to join the majority? The Commonwealth is not Britain's private preserve; it belongs to all of us and if the majority believes one or two of the members are working against the wishes of the Commonwealth majority then it is not the latter which should walk out but the recalcitrant member country or countries.

However, before any nation contemplates any such harsh measures, it must be sure that its own reputation is unsullied and that it has the moral right to point an accusing finger at other countries. President Kaunda of Zambia, by now an elder statesman of both the Commonwealth and the NAM, who has threatened a walkout is as guilty as Britain of flouting the UN sanctions of South Africa. His day does not begin without a glass of fresh juice of Neville oranges imported from South Africa. And this is not all that Zambia imports from South Africa. So why all this self-righteous indignation?

BANKING AND FINANCE

SUJOY GUPTA

RBI arbitrariness

The Reserve Bank of India (RBI) obviously enjoys its role as arbiter of the destiny of the Indian commercial banking sector. As is well known, the nation's 51-year-old central bank decides the cost of money, oversees the public money distribution system (which is really what the banking network is) and lays down credit policies and priorities. Inevitably and predictably, the wholly government-owned RBI — originally conceived as a specialised compact monitoring agency once removed from the hubbub of the marketplace — has expanded into a gigantic bureaucracy which is the repository of wide-ranging discretionary powers. True to style, the RBI *babus* guard their powers zealously. It stands to reason that the bank also enjoys the exercise of its less than well-deserved authority.

A case in point is the RBI's recent rejection of the long pending application of Chase Manhattan Bank to upgrade its representative office in Bombay into a full-fledged branch. As widely reported in the national business dailies, the RBI loftily told Chase in a letter that "there is no need" for another American bank in India. There is no evidence that the RBI, at the same time, has deigned to justify how this oracular verdict subserves the public interest.

Licence queue. A fundamental question arises in this context: why should the opening of domestic bank branches be subject to licensing by the RBI at all? Currently, even nationalised banks have to queue up before the Reserve Bank to get licences to open new branches. Not that the licensing authority takes any responsibility for the subsequent business prospects of the branch it has licensed. Far from it. Basic considerations such as the viability, profitability, prospects and service capabilities of new branches, etc. are not its concern, only the "public interest." Given that both rural and urban India are still grossly underbanked, one would have thought that all new branches would automatically serve the public weal.

There is a strong case for abolishing the existing rule that all banks must obtain separate RBI licences for each and every branch they inaugurate in this country. In particular, foreign banks have been traditionally at the receiving end of the Reserve Bank's arm-twisting tactics. Not so long ago, the RBI had ordained that India would consider foreign banks' applications for branch licences on the principle of reciprocity.

Today, the overseas operations of public sector banks are in the doldrums. Thanks to the fact that these overseas branches made hefty and, as it turned out, inadequately screened loans in centres as far apart as London, Singapore and Hong Kong among others, many Indian banks' branches are reportedly making losses — although this cannot be verified since branch-wise profit and loss figures are not made public. There is even some talk about some of these branches being wound up. In sum, their overseas operations are in a mess and there is no question any longer of Indian banks seeking to expand abroad.

An upshot of this is that the RBI has quietly jettisoned the reciprocity theory. If the *Business Standard* (18th June) is to be believed, RBI governor R.N. Malhotra apparently holds the view that the existing 19 foreign banks with offices in India should "consolidate their business" in their 134 licensed branches in this country before the government considers the entry of more foreign banks. What this means is far from clear. Foreign banks offer good customer service, have built up impressive track records in corporate lending, are making profits and paying taxes and are also doing their bit by roping in non-residents' deposits.

Negative connotations. The rejection of Chase Manhattan's application has several negative connotations. For one, it deprives the domestic banking industry of the opportunity of upgrading its skills by competing — albeit in a limited way — with the best talent in international banking. Two, RBI's edict unwittingly helps Citibank, Bank of America and American Express among other foreign banks to ward off local competition. Three, foreign monetary and banking authorities' perceptions of the Indian decision-making system are likely to be coloured by what they might quite legitimately discern as arbitrariness.

Exercising discretionary powers in the public interest is a serious matter. To an unbiased monitor, it is not clear how and why one branch in Bombay of, say, the Bank of Credit and Commerce International or the Bank of Oman — to take two names at random — can be tolerated, but not one of Chase.

COMPANIES

Reliance: an indictment of the system

The steep 31.7% fall in the value of the equity share of Reliance Industries Ltd. (RIL — sales: Rs. 711 crores in the year ended 31st December 1985) over the past month is a development of momentous significance for the 1.8 million investors (i.e. equity shareholders and debenture holders) of the company, its high profile promoter-managers and perhaps for the stock-market. Suddenly the equity share of the company (Rs. 10 paid up) which was quoted at a handsome Rs. 377.50 as recently as 17th July and whose quotation was expected to soar into the stratosphere, has lost its magic. Currently (7th August) it is quoted at Rs. 258 on the Bombay stock exchange and only the circumstance of the scrip having been virtually transferred to the cash section has prevented bear speculators from hammering it down further.

The causes of the recent reversal of fortunes of the blue chip RIL and its high-flying chairman Dhirubhai Ambani who worked his way up from being a humble trader's clerk into the chairman and chief executive of the seventh largest Indian private sector company in terms of sales, are too well known to merit extensive recitation. Suffice it to say that they have their origins in the election into office in New Delhi of the new generation — and relatively more scrupulous — Rajiv Gandhi administration and the relentless exposure by the mass circulation (608,333 copies per day in 11 editions) *Indian Express* of the company's — and by implication Dhirubhai Ambani's — manipulation, not excluding breach, of New Delhi's long established 'socialistic' industrial policies.

Heated waters. In particular the *Indian Express* exposure campaign — a devastating exhibition of the power of the press — is primarily responsible for having heated the waters in which the company and its somewhat cocky chairman are floundering. In a series of over a dozen well-argued and well-researched articles featured prominently on the front pages of the *Indian Express* and its affiliate *Financial Express*, RIL has been accused of a host of economic crimes and sharp practices. These include cronyism i.e. exercising undue influence on government officials to obtain licences to manufacture much-in-demand synthetic yarn and intermediates to the exclusion of other manufacturers; cornering of commercial bank loans for insider trading on the stock exchanges; violation of the country's foreign exchange laws and "smuggling" in plant and machinery in excess of sanctioned limits to clandestinely create excess capacity.

Ambani: enigmatic silence

Since the first of the *Express* articles appeared on 15th May, several other publications have got into the act and have thrown considerable and damaging light on the *modus operandi* of Dhirubhai Ambani and the manner in which he has driven the proverbial coach and six through the gamut of industrial development policies purportedly enacted and formulated to ensure the fair and orderly growth of various sectors of industry. Among them: *Imprint* (July) and *India Today* (15th August).

The flood of unwelcome publicity and the enigmatic silence that Ambani has maintained on the charges made against him — apart from a series of prominent but unconvincing advertisements which the RIL management is currently publishing in the national dailies and a desultory interview given by heir apparent Mukesh Ambani to *India Today* — has virtually forced the government to conduct investigations into some of the charges levelled at the company and its high profile chairman.

Currently the Central Bureau of Investigation is conducting an enquiry into a case of backdating of letters of credit to escape the import policy restrictions imposed on 29th May 1985; an RBI committee is conducting a probe into the question of whether 63 front companies of the promoter-managers of the company had borrowed almost Rs. 60 crores to purchase the E & F series partially convertible and non-convertible debentures issued by RIL in October 1984 and June 1985; and enforcement directorate officials are investigating the mysterious ownership of several allegedly non-resident companies which bought RIL shares heavily in 1982 when there was a bear run on them.

Any of these charges, if made to stick, could have serious repercussions — with the first and third opening up the possibility of criminal prosecution. In relation to the second charge of suborning nationalised bank officials to violate RBI lending guidelines, Union finance minister V.P. Singh informed Parliament on 22nd July that the loans advanced to front companies of RIL will be recalled if the RBI's final report confirms its interim report on the matter.

Crash fears. If the sum of Rs. 59.28 crores advanced by the nine commercial banks to Ambani's front companies is indeed recalled, it could precipitate a crash in the prices of RIL's debentures and equity shares, say several stock-market analysts who prefer to remain unidentified. According to them, to mobilise this huge sum, the Ambani family will be forced to liquidate some of its debentures and equity shares which have already taken a bashing over the past two months.

The current crisis of grave proportions that RIL — hitherto the darling of the stockmarket — is experiencing is rooted in three reports which appeared in the *Indian Express* in mid May. In the articles it was alleged that the promoter-manager family had obtained loans of Rs. 59.28 crores from commercial banks to corner a sizeable percentage of RIL's E & F series of partially convertible and non-convertible debentures in late 1985.

Obviously there was a method in the apparent madness which prompted the members of the extended Ambani family to massively purchase the company's own debentures. According to the articles on the 'Reliance loan mela,' a large number of debentures were purchased by these front companies on the premise that they would eventually be converted into equity shares then quoted at over Rs. 350. Earlier in 1984-85, when the company had similarly converted its non-convertible debenture of the Series I-IV into equity shares, not only had the relevant premissions come through smoothly, but the quotation of the company's equity share had continued to climb.

But this time around, the obliging Pranab Mukherjee no longer ruled in the Union finance ministry, and goaded no doubt by the *Express* exposes, the Union government, on 10th June — on the eve of an RIL board meeting convened to decree the conversion (which, it is argued, is permitted by the Capital Issues Control Act, 1947) — banned the conversion of non-convertible debentures into equity shares. On 11th June the prices of the E & F series debentures as quoted in the Bombay stock exchange crashed from Rs. 222.50 and Rs. 210 — to which levels they had risen in anticipation of their conversion into equity shares — to Rs. 125 and Rs. 134 respectively. Currently (7th August) they are quoted at Rs. 100 and Rs. 109.

The huge loss of prospective profit that members of the Ambani clan have undoubtedly suffered as a consequence of the ban on the conversion of non-convertible debentures into equity shares is perhaps the least of their troubles. On the very day (11th June), S. Gurumurthy,a legal adviser in Indian Express Newspapers Ltd., Bombay, and reportedly the right hand man of media baron Ram Nath Goenka, proprietor of the Indian Express group of newspapers, published two signed articles turning the spotlight on 11 non-resident Indian companies based in the permissive Isle of Man which had invested Rs. 22.5 crores in RIL under the NRI scheme in 1982. In a probing and well-documented story which was obviously based on international research by a specialist investigative firm, Gurumurthy in effect argued that the 11 investor companies were front organisations for Dhirubhai Ambani who had violated Indian foreign exchange laws by incorporating them abroad.

Unnerved shareholders. Right through June and July, the *Express* expose campaign continued, alleging the exercise of undue influence, the falsity of its corporate advertising campaign and the "smuggling" into the country of plant and equipment on a large scale (*Indian Express*, 5th August) causing reverberations in Parliament and unnerving the company's shareholders. Suddenly a large number of RIL's 1.8 million debenture and equity shareholders have witnessed substantial percentages of their book profits being wiped out and not a few among them are entering the stockmarket as sellers who want to cut their losses. In the absence of Dhirubhai Ambani who is undergoing medical treatment in Switzerland, the company's efforts to prop up the price of the scrip are weak and desultory. It seems extremely unlikely that this time Ambani will be able to bring the bears to their knees as he did in 1982.

India's fastest growing company is experiencing other kinds of pressure as well. Its proposal to promote a Rs. 125 crore leasing company by issuing Rs. 10 equity shares at a premium of Rs. 25 has been turned down on the ground that premia on the shares of new companies are not permitted. In addition the financial institutions — according to a report in the *Business Standard* (4th July) — have turned down a Reliance request for a $30 million foreign currency loan to finance the import of catalysts and equipment for its purified terepthalic acid (PTA) plant, and the Unit Trust of India is exhibiting a marked reluctance to mount support operations for the sliding equity shares of the company in the stock exchanges. The vast array of the discretionary powers of the Indian state which had hitherto been exercised to the benefit of the company and played no small role in the phenomenal growth of RIL, are now quite obviously being exercised against it.

Not surprisingly, Reliance spokesmen entertain the sentiment that a concerted campaign of denigration is being mounted against the company. "This kind of attack is unprecedented anywhere in the world, the press going after a corporation in this fashion," Mukesh Ambani told *India Today* (15th August).

Ambani's exasperation and the hectic parleying between the Ambanis, Ram Nath Goenka and business rival Nusli Wadia, chairman of Bombay Dyeing & Manufacturing Ltd. (sales: Rs. 146.77 crores in the year ended 31st March 1985) who is believed to be orchestrating the anti-Reliance campaign, are understandable. At stake is not only the reputation of Dhirubhai Ambani and the brightest star on the indigenous corporate horizon i.e. RIL, but also the future of several ambitious expansion and diversification projects for which RIL has already obtained manufacturing licences. Among them: a 75,000 tonne PTA plant, a 50,000 tonne linear alkyl benzene (LAB) plant, a 100,000 tonne PVC plant, and a 40,000 tonne mono ethylene glycol (MEG) plant. In addition, the company's applications for licences to set up a naptha cracker unit and an aromatic plant are awaiting New Delhi's clearance.

More skeletons. If all these project proposals are cleared by the government, the RIL management will need to raise a massive investible sum of almost Rs. 3,000 crores. And given the government's policy directive to the government-owned term lending institutions to withold loans to large and well established companies, the company's management has little option but to raise these huge amounts in the stockmarket. But with the prices of RIL debentures and equity shares having retreated over a broad front, investor enthusiasm in the company's paper has been shaken and may plunge as more skeletons are discovered in RIL's closets by the various committees and agencies enquiring into its affairs.

Yet even if the committees and agencies enquiring into the company's affairs exonerate it of the charges currently being investigated, it is quite clear that the *Express* exposes and the reaction of New Delhi to them mark a watershed in RIL's history and is likely to considerably slow down its future growth. In retrospect it is now quite clear that the phenomenal growth of RIL owed more to its chief executive's influence in the corridors of political power and his ability to persuade a large number of government officials from ministers downwards to exercise the vast array of discretionary powers with which the country's *netas* and *babus* have invested themselves in the company's favour, than to his managerial expertise which is by no means inconsiderable.

> **'Mediamen have remained conspicuously silent about the patent infirmities and demerits of the discretion-laden industrial licensing and import control (among other) systems which regulate the growth and development of Indian industry'**

Despite this obvious conclusion, mediamen have remained conspicuously silent about the patent infirmities and demerits of the discretion-laden industrial licensing and import control (among other) systems which regulate the growth and development of Indian industry. In a nutshell, RIL's incredible growth would not have been possible but for Ambani's ability to acquire a licence to set up a 10,000 tonne (subsequently expanded to 25,125 tonnes) plant to manufacture much-in-demand synthetic yarn in preference to others already in this line of business. Nor would it have been possible but for Ambani's ability to delay the entry of newcomers into this industry and his ability to persuade the Union government to set up high tariff walls to discourage imports.

Indeed the history of the growth of RIL can be interpreted in the light of the numerous occasions when a host of *netas* and *babus* including former Union finance minister Pranab Mukherjee, several controllers of exports and imports, controllers of capital issues and a plethora of customs and state government officials exercised their wide discretionary powers in favour of the company. In the process not a few people benefitted, including the promoters and shareholders of RIL, the Union government which taxes synthetic yarn and textiles heavily, and no doubt the usually lackadaisical officials who have exhibited remarkable alacrity in clearing the company's numerous projects. But somebody has to pay the price of artificially restricted supply and favouritism, and predictably, it is the consumer. The price of synthetic cloth in the Indian market is 300%-400% higher than in most developed countries.

Ruthless manipulation. In the final analysis, it hardly serves the larger social purpose to engage in a witch-hunt to bring Reliance or its chairman-promoter Ambani to book. The clear indications are that Ambani ruthlessly manipulated the weaknesses of the system to acquire power, riches and fame. But it is also to his credit that while he manipulated the acquisition of licences and tariff protection for RIL, he undoubtedly implemented his projects quickly and efficiently creating jobs, incomes and revenues for the exchequer while playing a major role in resuscitating the stockmarket. To expect a former petty trader to comprehend the larger and long term social consequences of corrupting officials and weakening the state apparatus, is perhaps to ask for too much.

These weightier considerations properly fall within the province of social scientists and the intelligentsia in general. And it is in this context that the failure of the media to call for an overhaul of the discretion-laden industrial licensing and related systems, is somewhat inexplicable. Undoubtedly the primary lesson of the meteoric rise and the current fall into a mire of troubles of RIL and Dhirubhai Ambani is that the industrial development and regulations system is designed to encourage the success of wheeler-dealers rather than genuinely competent entrepreneurs.

It has often been argued that the current industrial licensing system needs to be replaced by one which relies on fiscal incentives and disincentives to canalise resources into socially important industries and sectors of the economy, i.e. to replace the discretion-laden system of physical controls by fiscal controls. Indeed the Narasimham Committee has submitted a very sensible report on the subject — which is heard of no more.

L'affaire Reliance once again highlights the need to switch to the eminently more sensible system of indicative planning which would minimise, if not eliminate the plethora of discretionary powers vested in, alas, all too pliable government servants.

Dilip Thakore in Bombay

ECONOMY

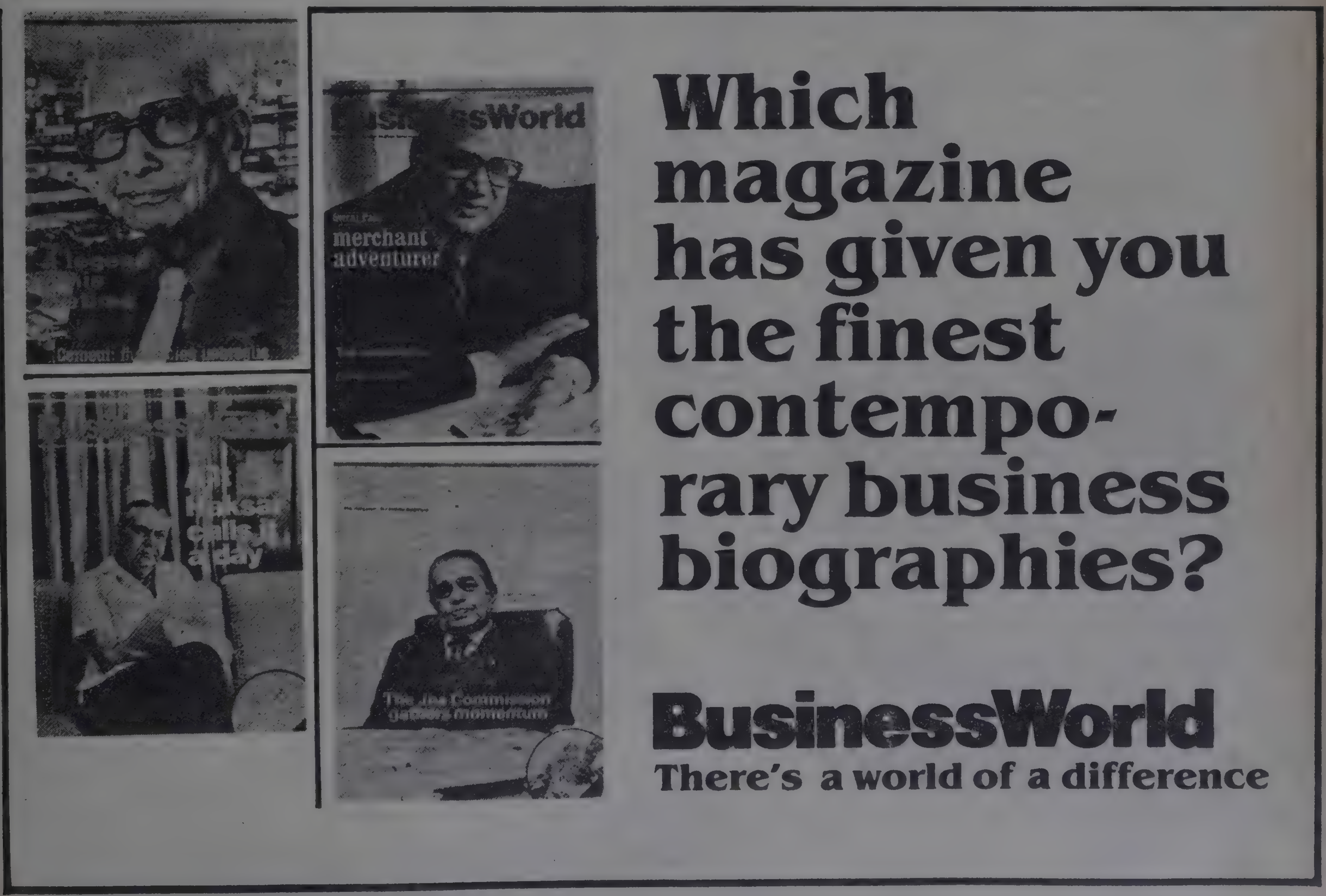
Cement shortage blueprint

Though the era of Antulay and Gundu Rao — signifying cement scandals to all intents and purposes — seems to be a bad memory, the conditions that spawned this somewhat shameful phase in the national developmental effort are apparently being recreated. And with this development, fears of yet another era of cement shortages have begun to loom large. This depressing prospect is the only possible outcome of the illogicality of the Union government's dual cement pricing policy, which has already driven a large number of new cement units into the red, and threatens to do likewise to old units as well.

Somewhat paradoxically, in the Rajiv Gandhi era of liberalisation, cement is one of the few commodities the price of which is fixed by the government. Cement manufacturers are statutorily bound to render unto the government between 40% (for new plants) and 60% (for old plants) of their total production of cement at an average price of Rs. 370 per tonne. *cf.* an actual current cost of production of Rs. 887 per tonne for a cement plant commissioned in 1986, being free to sell the remainder in the open market. While the average cost of production for old units is currently not easily available, in view of the fact that over 45% of the aggregate installed cement manufacturing capacity of 42 million tonnes comprises new plants, it does not require much computation to recognise that the cement industry is being foisted with large losses — estimated at over Rs. 260 crores per annum — as a result of this myopic levy price policy.

Disastrous results. And concrete proof of this much publicised fact was provided recently when, in the wake of successive announcements of disastrous financial results for the year 1985-86 by a host of cement companies, *The Economic Times'* sectoral index of cement company shares declined sharply from a 1985 high of 322 to 189 on 4th August this year. Without exception, quotations of the scrips of all cement companies have tumbled in the immediate aftermath of these announcements, and more than a few companies' scrips including those of the otherwise well regarded Narmada Cements Ltd., have crashed to below par value. Even the shares of Raasi Cement Ltd. — adjudged the most profitable private sector company in India in 1984-85, indicating extraordinary managerial capabilities — has crashed to Rs. 28 (on 4th August) *cf.* a 1985 high of Rs. 60.

Comments A.L. Kapur (51), director of the country's largest cement man-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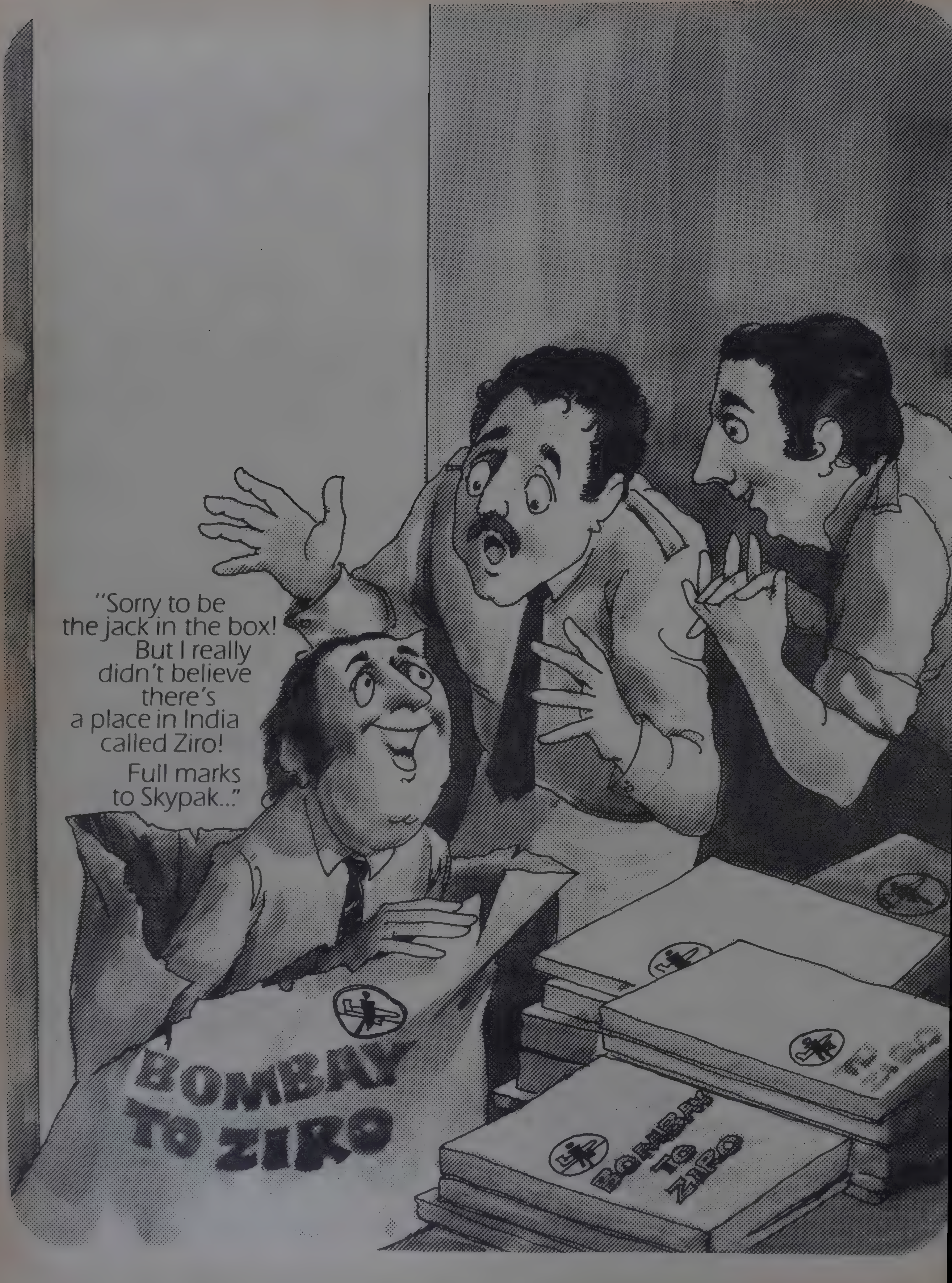

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ufacturing company, Associated Cement Companies Ltd. (sales: Rs. 708.61 crores in the year ended 31st July 1986): "The general impression in the government is that the cement industry is still making adequate profits. Perhaps this impression is based on the annual reports of some cement manufacturing companies for the year 1984-85. While these companies are not many and may have benefitted from special or favourable temporary factors, the government fails to read the real, gradual and steady decline in the overall profitability of the industry, which has also been confirmed by the recently published RBI study of the finances of more than 400 public limited companies including cement companies. This study reveals that as a percentage of net sales, the drop in profitability of cement manufacturing companies has been from 13% to 10% in 1983-84 and to a mere 4.5% in 1984-85. It is likely to be even lower in 1985-86," Kapur says.

That the crisis that confronts the cement industry is not entirely the consequence of levy pricing policies, is indicated by the fact that at least in some states (Maharashtra, Gujarat), the open market prices of cement of between Rs. 55-60 per bag of 50 kg equivalent to Rs. 1,100-1,200 per tonne, barely cover manufacturing,transportation and marketing costs.

Yet, even if an excess of supply over demand has whittled down profit margins on the sale of non-levy cement, it is not surprising that cement manufacturers reserve their strongest protest against the system of levy pricing. Comments J.R. Birla (53), managing director of Birla Jute & Industries Ltd. (sales: Rs. 295 crores in the year ended 31st March 1986), the president of the Bombay-based Cement Manufacturers Association: "Cement manufacturers have to sell between 40% and 60% of their total production of cement at a price that is determined jointly by the Bureau of Industrial Costs & Prices and the development commissioner for the cement industry. Currently, the average (levy) price is fixed at Rs. 370 per tonne, which is only 15% higher than the average levy price of Rs. 330 per tonne that prevailed in 1982.

"Manufacturing costs have however increased by over 45% (averaged industry cost) during this period, largely as a consequence of increases in the administered prices of coal, electricity, rail freight and diesel, all of which the government determines. In addition, labour and capital equipment costs have also gone up sharply during this period, and so has the excise duty on cement. According to our calculations, cost escalations on inputs other than plant and equipment have increased manufacturing costs by Rs. 150 per tonne of cement between 1982 and mid 1986. The average levy price has however been increased only by Rs. 40 per tonne during this period. If this situation continues, cement manufacture will not be viable and manufacturers will be forced to close down plants," says Birla.

Kapur: plunging profits

Hiked prices. If this refrain is unoriginal, it is nevertheless based on hard facts. For instance, on 8th January 1984, Coal India Ltd. hiked the pithead prices of C & D grades coal from Rs. 169 to Rs. 229 and Rs. 199 respectively, representing a 34.8% increase over 1982 prices. Coal prices were hiked once again on 9th January this year from Rs. 229 and Rs. 199 for C & D grades to Rs. 266 and Rs. 236 respectively, a further 17% increase. The landed cost of coal however increased by approximately 70% on an average during the same period, on account of a 10% increase in rail freight costs and a 30% increase in road transportation costs during the same period.

Likewise, between February 1983 and March 1985, excise duties were hiked from Rs. 135 per tonne to Rs. 225 per tonne, while electricity costs increased by margins varying between 20% and 50%. However, the single most important cost increase is in respect of plant and equipment. Between 1982 and 1986, the capital cost per tonne of cement manufacturing capacity installed increased from Rs. 650 to Rs. 1,400-1,500, a rise of more than 110%. Since higher capital costs also mean higher interest payments and depreciation outlays, the impact of this increase alone could result in a doubling of production costs.

Comments one cement industry manager who preferred not to be identified: "At current levels of capital and raw material costs and given the current retention price of levy cement of Rs. 379 per tonne, the most efficient cement plant commissioned today cannot possibly make a profit. In fact, a plant of 1 million tonnes capacity working at 100% capacity and situated 300-500 km away from coal pitheads, will probably run up losses of Rs. 3.5- 4 crores per annum." Since situational characteristics of plants vary quite widely, this is only a rough indication of the current viability of a new cement plant and it is obvious that some plants will chalk up larger losses while others may just about manage to break even.

This notwithstanding, there is little doubt that the longer term impact of the prevailing levy price policy can only be disastrous. According to the Seventh Plan projections the effective annual demand for cement will be 54 million tonnes in 1989-90, and to generate this volume of production an installed capacity of 62 million tonnes will be needed. Thus, at current capital goods prices, an additional Rs. 3,000 crores will need to be invested over the next four years to create this capacity. Since over 75% of all new capacity is scheduled to be created in the private sector, the bulk of this investment will have to come from the capital markets.

Dismal predicament. With the cement companies being forced into the red and share prices tumbling in consequence, this is a most unlikely prospect. Indeed, without drastic changes in the levy prices regimen, cement companies will find it difficult even to service their current borrowings; hence any increase in their debt liabilities on account of expansion is ruled out. Such then, is the dismal predicament of the cement industry, which will inevitably lead to a resurgence of the nightmare of growing cement shortages, higher consumer prices and larger imports.

Not that this outcome is wholly unanticipated by the government. Indeed, over the past two years, cement industry spokesmen have received a sympathetic hearing in the corridors of power in New Delhi, and have even been granted small increases in the levy price of cement from me to time. The sympathy is however ircumscribed by the fact that the govrnment departments and agencies are he largest consumers of cement in this ountry, and given their well known inefciencies, unless cement prices are ighly subsidised at the cost of industry nd eventually of the individual investor, he costs of governmental construction rojects would balloon to unacceptable evels.

Confronted with a growing budget deicit combined with a rapidly escalating ill of non-development outlays and inefficiently implemented projects — both esults of gross policy failures — the govrnment has hitherto been reluctant to ermit the cement industry realistic reention prices in the absence of an aboliion of the levy system altogether.

Yet apart from the fact that such shortighted policies will cost the country learly in the intermediate run, they are atently unjustified in a context in which upply far exceeds demand, local hortages notwithstanding. They are also serious violation of investor rights to a air return, as they involve an illegitimate ransfer of resources from the private inestor and consumer to the government. The question then is, how long does the ew wave Rajiv Gandhi government ropose to take to redress these wrongs f both economics and principle — asuming of course that it is willing to do so.

As we go to press, the development commissioner for the cement inustry has called a meeting of representatives of the industry to discuss heir woes. On his response will hang the ate of a critical industry, and the reputaion of a government that claims to work faster, and to be moving towards a freer, more rational economic order.

Michael Neri in Bombay

INDUSTRY

PepsiCo's second attempt

There's more to life, it would appear, than Campa Cola, or food, friends and Thums Up. There is the second attempted coming of Pepsi Cola which has brewed a storm in the indigenous soft drinks industry and in political circles as well.

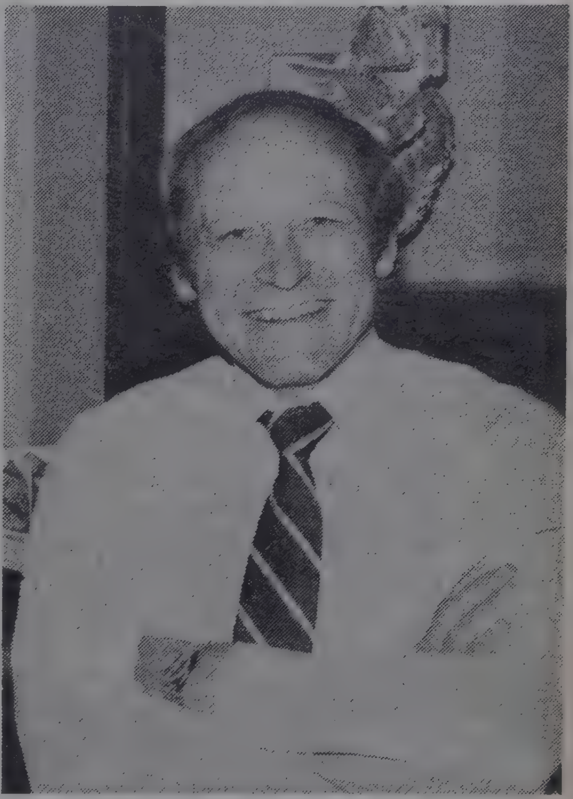
In a stunning confirmation of recent speculation (*BW* Offstage, May 26-June 8), it was recently admitted by an uneasy Union minister of industry N.D. Tiwari that a detailed proposal, the second of its kind, for the entry of the world's second largest soft drinks manufacturer PepsiCo Inc. (sales: $8.48 billion or Rs. 10,176 crores in 1985) into the fast growing domestic market is under the active consideration of the Union government. Predictably, this admission was sufficient to provoke a coalition of the big three of the indigenous soft drinks industry — Parle, McDowell and Pure Drinks — in an unusual display of indignant solidarity in an attempt to baulk the entry of the formidable multinational into their private preserve.

Simultaneously, the issue has assumed even graver political overtones. PepsiCo's gambit threatens to add to the long list of thorny problems awaiting resolution in the midst of the raging communal inferno of Punjab, as the Congress (I) Central government and the Akali Dal state government stand divided over the issue of PepsiCo's entry. Never has so much heat been generated in the Rs. 300 crore soft drinks industry whose products are advertised as the best way to keep cool.

Striking volte face. Although it is barely a year since PepsiCo's earlier abortive foray into the Indian soft drinks market — rated second only to that of the US in terms of volume — was made in collaboration with R.P. Goenka's Duncan group, the very fact that it fizzled out appears to have given its top brass, particularly C.R. Albright (42), senior vice president (India, West Asia and Africa), considerable food for thought. Tying up with the highly respected business house of Tatas this time around PepsiCo in a striking *volte face* is all set to adhere to the tough entry norms prescribed by the Union government for foreign companies entering India's consumer product industries.

According to the proposal now being processed by the Union government, PepsiCo has agreed in principle to manufacture its top secret cola concentrate within the country — hitherto anathema to both PepsiCo and the Coca-Cola Corporation alike. In addition, for the first time PepsiCo has also agreed to conform to the recent governmental guidelines on the use of foreign brand names, by agreeing to allow its Pepsi Cola to be sold under a hybrid brand name. While no name has as yet been decided, it is obvious that it will be Pepsi with a suitable suffix or prefix.

As these were the two major objections raised by the Union government while rejecting the PepsiCo-Goenka industrial licence application last year, the breaking of PepsiCo's sacred commandments is quite clearly an indicator of its keenness to put India on its global map of operations, which encompasses no less than 149 countries currently. And significantly, nowhere else has Pepsi ever agreed to break its two operational principles: that the concentrate would be imported from the US and that its products would be sold only under its own brand name.


Albright: food for thought

Although it may be tempting to attribute PepsiCo's departures from its norms to its determination and tenacity to establish a presence in this country one step ahead of its rival Coca-Cola which was turfed out in 1977 by the Janata government, part of the credit for persuading the PepsiCo top brass to make these concessions must go to Amitabh Pandey (38), managing director of the Punjab Agro Industries Corporation (PAIC — sales: Rs. 138 crores in fiscal 1984-85) and a strikingly atypical bureaucrat. It may be recalled that it was Pandey who set about revitalising PAIC which had degenerated into a monopoly trading house by the end of the seventies. Determined to boost manufacturing operations, as was logical given the wealth of agricultural Punjab, Pandey tied up with Voltas Ltd., the well-known consumer products marketing company which was also looking around for profitable businesses as it was going through an extremely bad patch ever since it lost its Amul agency in 1984.

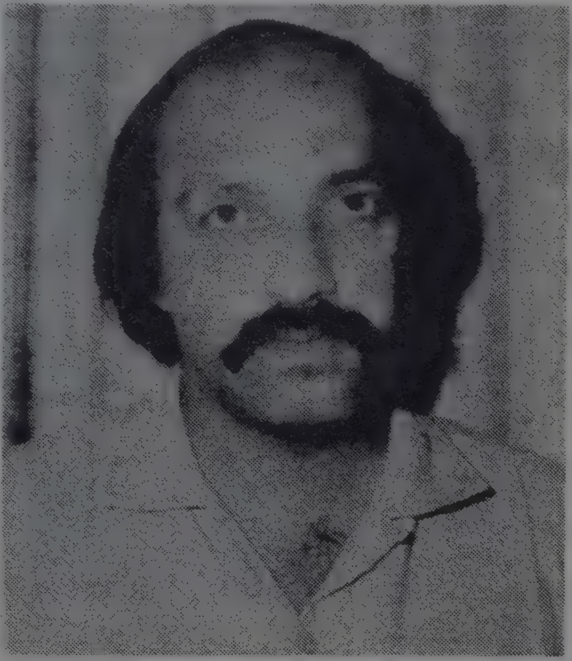
Finalising strategy. Even as a joint venture was being negotiated with Voltas, Pandey told *BW:* "We were convinced that we ought to put up processing plants for fruits. The locations we have chosen are Abohar and Hoshiarpur which are the centres of the fruit growing areas," (*BW* Spotlight, July 22-August 4, 1985). While a processing plant has been set up, reports suggest that Voltas is in the process of finalising its strategy to launch a whole range of fruit juices — orange, tomato, pear, mango and sugarcane — produced by PAIC in the revolutionary new tetra brick packaging (*a la* Frooti and 'Appy) in the next few months.

It was undoubtedly this production potential of PAIC which persuaded R.P. Goenka to bring the Voltas-PAIC combine into the deal with Pepsi. The whole scheme was envisaged as an export-import exercise with PepsiCo's export-import ratio being 3:1, just as it exports vodka from the USSR in a 1:1 ratio to imports of its soft drinks concentrate. Thus, in the original scheme, PAIC was to produce juices, pastes and concentrates, ready-to-eat foods (cereals, biscuits, sweets, breads), potato products (chips and french fries), ready-to-cook foods (soup mixes, noodles, fried snacks), processed ready-to-cook items (vegetables and fruits) and other flour-based products primarily for export through PepsiCo, although 25% of the production would have been available for sale in the domestic market. But as the scheme involved an investment of Rs. 15-20 crores, in which PepsiCo was not interested in investing even in part, Pandey had warned that "it was not very clear how much it would benefit us (PAIC)."

According to senior officials in PAIC, the moment the Goenka-PAIC-Voltas proposal fell through, Pandey dashed off angry and forthrightly blunt telex messages to the Purchase (New York) headquarters of PepsiCo, warning them that unless they diluted their rigid stand on issues such as concentrate production and brand names, they were unlikely to make much headway in India. In addition, Pandey demanded the serious involvement of PepsiCo in the agricultural development of Punjab — a major trump card, as events are likely to prove.

Extensive expertise. Whatever PepsiCo managers may initially have thought of Pandey, they did not waste much time in falling in with his reasoning. According to the proposal made by PAIC, the promoter of the proposed new company with a shareholding of 38.1% of the total paid up equity of Rs. 9 crores, PepsiCo's envisaged holding will be 37.9% and Voltas' 24%. Thus, the new company will be subject neither to the regulations of FERA nor the MRTP Act. With a proposed aggregate investment of Rs. 20 crores, the company plans to set up a state-of-the-art agricultural research centre, which will make use of PepsiCo's extensive expertise in the processed food business, and a potato and grain-based food processing unit with a capacity of 25,000 tonnes of potatoes and 5,000 tonnes of wheat per annum.

In addition, a fruit and vegetable processing unit larger than the existing one at Abohar with a capacity of 80,000 tonnes per annum will also be set up. Apart from the export of food products and processed fruits and vegetables, the American company has given an undertaking that it will "undertake an export programme, through PepsiCo's network, of other items to generate a foreign exchange inflow equal at least to three times the outflow." Obviously, PepsiCo is not taking any chances this time.



PAIC's Pandey: blunt message

According to PAIC in-house projections, the sales turnover of the new company is slated to touch Rs. 60 crores by the fifth year of production. Of this, 25% will emanate from the sale of soft drink concentrates which will be franchised to small independent bottlers all over the country. According to initial estimates, PepsiCo envisages a manufacturing capacity sufficient to produce concentrate for 45 million cases of soft drinks per annum (the standard case containing 24 bottles of 225 ml each) at PAIC's plant in Hoshiarpur.

Even this appears to be a concession. Albright had indicated in mid 1985, while plugging the PepsiCo-PAIC-Goenka project that his company planned to sell 60 million cases every year — a marginally lower figure than that of all the other indigenous manufacturers put together, i.e. 63 million cases. As one observer put it, "I think PepsiCo have really decided to put their money where their mouth is — 70% of the company's investment and 72% of its sales will derive from the food processing business.

Even in terms of foreign exchan which the finance ministry is prone to g touchy about, according to the PAI PepsiCo-Voltas proposal "the minimu value of exports promised in the first fi years is Rs. 55 crores. The foreign e change outgo in the same period is like to touch Rs. 18 crores," including Rs. crores as dividend and profit, Rs. 1 cro as a lumpsum payment and Rs. 8.6 cror on the import of the raw materials for th concentrate PepsiCo Inc. Thus, the n foreign exchange earned by the ne company will be Rs. 37 crores in the fir five years, an amount which can onl increase.

Unequivocal condemnation. Despite thi handsome offer by PepsiCo Inc., indigenous soft drinks manufacturers hav lost no time in unequivocally condemning PepsiCo's attempt to enter th domestic soft drinks market. Settin aside their personal differences, Charanjit Singh, managing director of the New Delhi-based Pure Drinks (India) Pvt Ltd., Ramesh Chauhan, chief executive of the Bombay-based Parle Exports (Pvt) Ltd. and Kisan Mehta, president McDowell & Co. Ltd., which together have a 90% share of the national soft drinks market, spoke to newsmen at one of the most well-attended press conferences (29th July) in recent times in the capital.

According to these captains of the soft drinks industry, "The entry of PepsiCo would destabilise domestic industry which had grown at a respectable pace of growth only in the last few years. We have however no objection to PepsiCo's entry provided it is not given any special import concessions and the foreign brand name is not used."

Specifically referring to PepsiCo's claim that the concentrate would be indigenously manufactured, they were inclined to be sceptical. "We have our doubts about this. Only part of the concentrate will be manufactured here and the actual formula including the flavouring, will be imported. There is no rationale for such imports of concentrate since the domestic industry is quite capable of coping with the demand," they said in a joint statement.

Among the objections raised by the 'big three,' the most serious one questions the need for an import licence of Rs. 8.6 crores over a five year period for raw materials and components by the new company. Moreover, referring to the 3:1 export-import ratio, they argued that it is tantamount to granting a special dispensation to PepsiCo, as even Coca-Cola up to1977 had an import replenishment ratio of 25:1.

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Perhaps the stickiest point that was aised was by Kisan Mehta of McDowells vho said: “The proposal of importing oncentrates and exporting processed ood flies in the face of government pol-cy which does not allow imports of omething (*sic*) linked to exports of on-related items. In fact, this was the xplicit reason for the earlier proposal eing rejected.”

Misconceived issues. However, PAIC offi-ials say that there is a misconception of he issues involved. Arguing that the oncentrate will be indigenously pro-luced, they say that the imports are only or its manufacture. Thus, while there is o question of import replenishment, here is also no link between the exports nd imports. “The linkages are only bet-veen foreign exchange inflows and out-lows, not between imports or exports,” laims a senior PAIC official. On at least one point the indigenous manufacturers vere caught short — when they claimed hat PepsiCo does not have the required echnology in the food processing field. As is fairly well known, nearly 70% of PepsiCo's global sales are contributed by ts processed foods.

Indeed, as Pandey, one of the hrewdest observers of the political cene in Punjab, is well aware, the major rationale for the ruling Akali Dal throw-ng its weight behind the proposal is the mpact it will have in terms of providing a profitable outlet for the state's produc-ion of fruits and vegetables, as well as sparking off a switch from traditional crops to more profitable and better yield-ng horticultural crops. With wheat and paddy yields not only levelling off in erms of productivity but also profitabil-ty, this is an initiative that could well soothe the festering economic sores of Punjab.

On the other hand, the knee-jerk reac-ion of both the Congress (I) and other political parties has been to condemn the Akali Dal for ‘selling out’ to a multina-ional corporation, especially since Coca-Cola was given its marching orders in such an unceremonious fashion. As for the Union government, it is impaled on the horns of a dilemma — if it turns down PepsiCo, the wrath of the Punjab government with which it has a shaky equation is bound to descend upon the Centre. If it agrees, then the Congress (I) will be damned for selling out to the multinational and not protecting the interests of the indigenous industry. Hobson's choice, one might say, but one that will reveal whether PepsiCo is rewarded for its patience or not.

Anand P. Raman in New Delhi

ECONOMIC COMMENT

R.J. VENKATESWARAN

Eastern region ills

The newly appointed president of the Indian Chamber of Commerce, Saroj Kumar Poddar, speaking at his first press conference held on 12th June at Calcutta, expressed concern over the continuing industrial stagnation in the eastern region of the country and made several suggestions to accelerate its development. For instance, he wants the government of India to declare the entire eastern sector as a backward area so that all new industrial units established in the region are entitled to concessional finance. FICCI president R.P. Goenka also made a similar suggestion in respect of Punjab.

But whether these suggestions will achieve the objective of spurring the industrialisation of these areas is a moot point. Even if they are accepted, will it attract investment on a large scale in view of the chronic infrastructure deficiencies which have been a major impediment to the industrial growth of the eastern region?

Indeed, if past experience is any indication, the provision of financial incentives to industries located in the lesser developed regions has had no perceptible impact on the choice of location. For nearly two decades, the government of India has been trying to persuade industrialists to set up industries in the district which have been declared ‘backward,’ by offering a variety of special concessions and incentives. But this policy has achieved little success in enthusing entrepreneurs to move into such areas.

Action plan. Poddar has suggested that the prime minister should convene an open house meeting, where the chief ministers of the eastern states and representatives of financial institutions and chambers of commerce could get together and recommend an action plan for developing this region. But will such a meeting serve any useful purpose? Will the plan have any prospect of being implemented successfully in the context of the severe power shortage in these states?

It is significant that throughout the period of the Sixth Plan, the average plant load factor (PLF) of thermal power plants in West Bengal, Bihar and Orissa averaged only 40%. The performance of the power sector in the first year of the Seventh Plan is probably no better. According to available statistics pertaining to the period April to December 1985, the PLF was 42.2% in West Bengal, 35.6% in Bihar and 30.5% in Orissa.

According to the ‘quick estimates’ made by the Indian Chamber of Commerce, an investment of Rs. 8,000 crores would have to be made in West Bengal and Rs. 5,000 crores in Bihar to bring the level of registered unemployment in the two states more or less on par with the better off states in the country. But what the eastern states need to create jobs on a large scale is not merely more investment by the private and public sectors, but the vigorous promotion of local entrepreneurship. Unfortunately, schemes designed to promote self-employment in this region have made very little progress because of the indifference of state governments, banks and financial institutions. Moreover, the existence of hundreds of sick and bankrupt industrial units or those that are on the verge of closure deters many young men from starting enterprises of their own.

Lack of seriousness. It is true that some of the Central government's economic policies such as the railway freight equalisation scheme in respect of iron and steel, have hindered the growth of the eastern region. But what should be a matter of greater concern is the lack of seriousness on the part of the state governments for improving their economies, none of which are fully geared to the tasks of economic development. For instance, West Bengal was unable to utilise nearly Rs. 1,500 crores of its plan outlay during the Sixth Plan.

These states have also been neglecting education — an area of crucial importance in economic development. In the last year, out of 234 working days, Calcutta University could function normally only on 121 days due to frequent strikes and disturbances. In the first four months of 1986, there were 80 working days but the university functioned normally only on 15 days. Quite obviously, a great deal more than financial incentives and larger outlays will be required to transform the eastern region into a high growth area.

Non-taxable capital gain

H.P. RANINA

The foregoing or surrender of a tenancy right could arise under two conditions; the first being where a person who is entitled to enjoy it gives it up before the right materialises and secondly, where a person currently enjoying the right surrenders it to the landlord. In both sets of circumstances, the question of taxability of the compensation received for foregoing the right will arise. In both cases, the amounts so received would be on capital account, though for entirely different reasons.

The first type of circumstance was considered by the Bombay high court in the case of *B.G. Shah v. C.I.T.* ((1986) Tax. L.R. 657). In this case, the assessee was an advocate who entered into an agreement with the landlord to obtain a portion of the latter's premises on a monthly tenancy basis. After the agreement was finalised, the landlord did not give possession of the tenanted premises and therefore the assessee filed a suit against the landlord for specific performance of the contract. Pending the suit, the landlord arrived at a settlement with the assessee who agreed to accept a certain amount for giving up his right to tenancy under the agreement.

The income tax department taxed the amount so received as income and this view was upheld by the income tax appellate tribunal. When the matter came up before the high court, reliance was placed by the assessee on an earlier decision of the Bombay high court in the case of *Bombay-Burmah Trading Corporation Ltd. v. C.I.T.* (81 I.T.R. 777), in which it was held that compensation received for loss of a capital asset is a capital receipt.

In this case it was held that where compensation is recovered for an injury inflicted on a person's trade making a hole in his profits,so to speak, the compensation would fill the hole and would be regarded as a trading receipt. On the other hand, where the injury is inflicted on the capital assets of the trade making, as it were, a hole in them, the compensation recovered was meant to be used to fill that hole and was thus a capital receipt.

CAPITAL RECEIPT

In the *Bombay-Burmah Case* the court held that where an agreement related to the structure of an assessee's profit-making apparatus and affected the conduct of his business, the money received for the cancellation or variation of such an agreement would be a capital receipt. Following this decision, in *B.G. Shah's Case* the Bombay high court held that the tenancy right was a capital asset and the amount received by the assessee as compensation in lieu thereof was a capital receipt which was not liable to income tax.

In respect of the second type of circumstance, *viz.*, where a tenancy right is given up by a tenant in occupation of premises, there are important cases in which it has been hel that such compensation received is a capital receipt, which i not liable to tax if the tenancy had no cost of acquisition

In *C.I.T. v. Shirinbai Pandole* (129 I.T.R. 448), th assessee was a tenant of a building who surrendered he tenancy rights in consideration for her getting alternativ accommodation in the shape of an ownership flat in anothe building. Following the decision in the cases of *C.I.T. v. J.J Cooper* (I.T.A. No. 59/Bom/77-78 decided on 20th Jun 1977, reported in *Bombay Chartered Accountants' Journa* (July 1977)), the Bombay high court held that no capital gain had accrued since the tenancy rights had been acquire earlier without the assessee having paid anything in terms o money for the acquisition of those rights.

This point also came up for consideration before th Bombay high court in *C.I.T. v. Trade Wings Pvt. Ltd.* (12 I.T.R. 399). This was the case of goodwill being paid fo selling part of a business to a company. The Bombay hig court, following its decision in *C.I.T. v. Home Industries & Co.* (107 I.T.R. 609), held that no capital gains had accrue to the vendor since the goodwill was a self-created asset whic had not cost the assessee anything in terms of money.

A similar view was taken by the Bombay high court in th case of *C.I.T. v. Michel Postel* (112 I.T.R. 315) and th Madhya Pradesh high court in *C.I.T. v. Jaswantlal Dayabha* (114 I.T.R. 798). In both these cases, it was held that an amount received on transfer of assets generated in a busines is not subject to income tax as a capital gain.

COST OF ASSETS

This principle underpinning these judgements has bee endorsed by the Supreme Court in the case of *C.I.T. v Srinivasa Setty* (128 I.T.R. 294), in which it was held tha capital gains tax is not leviable in cases where an asset has no cost of acquisition. In this case, the Supreme Court held tha what is contemplated in the law relating to capital gains is an asset in the acquisition of which it is possible to envisage a cost.

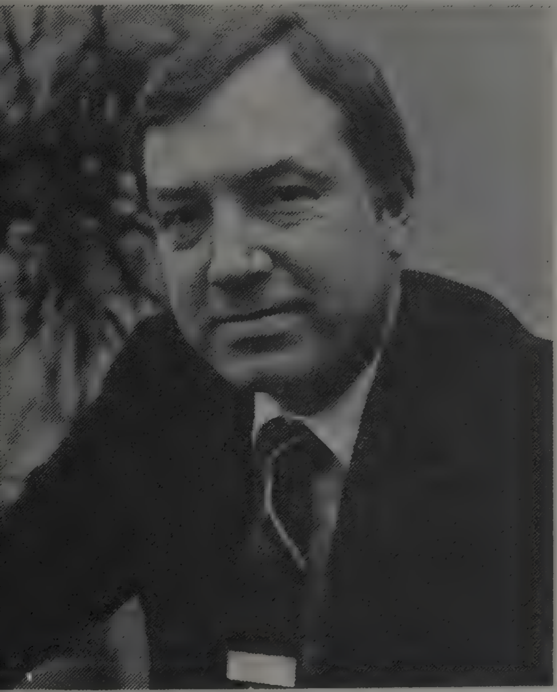
> **'In *B.G. Shah's Case,* the Bombay high court held that the tenancy right was a capital asset and the amount received by the assessee as compensation in lieu thereof was a capital receipt which was not liable to income tax'**

The intent goes to the nature and character of the asset, whether it is an asset which possesses the inherent quality of being available on the expenditure of money to a person seeking to acquire it. It is immaterial that although the asset belongs to such a class, it may, on the facts of a certain case, be acquired without the payment of money. According to the Supreme Court, this kind of case is covered by s.49 of the Income Tax Act, 1961, and its cost for the purpose of s.48 is determined in accordance with those provisions. There are other provisions which indicate that s.48 is concerned with an asset capable of being acquired at a cost.

Therefore, in view of the aforesaid decisions, the amount received by a tenant in possession for surrendering his tenancy rights would result in a capital gain which is not liable to tax. It should, however, be pointed out that under the Bombay Rents, Hotel and Lodging House Rates Control Act, 1947, it is illegal for a tenant to receive compensation for the surrender of a tenancy right.

The Spectrum option

Whatever else the mad scramble among the world's largest computer manufacturing companies to obtain a toehold in the Indian arket signifies, there is little doubt that signals the dawning of a full-fledged omputer revolution in this country. Ineed, no other interpretation fits the fact at the California (US)-based Hewlett ackard Co. (HP — sales: $6.5 billion or s. 7,800 crores in 1985), the fourth rgest computer company in the US and n acknowledged front runner in the akes to develop fifth generation intelliient computers, is making a concerted id to acquire a visible presence in India.



layes: price advantage

Hewlett Packard has hitherto naintained a low key presence in this country through the intermediacy of the Bombay-based Blue Star Ltd. (sales: Rs. 6.31 crores in the year ended 30th June 986), which has thus far provided it a ales outlet for its electronic instruments nd information technology products. But in a market which is projected to enerate an estimated Rs. 2,000 crores in omputer sales by 1995, dealerships are vidently inadequate, and accordingly, Hewlett Packard entered into a collaboration with Blue Star to manufacture personal computers in India over a year go. This is however an intensely competitive segment, which perhaps explains why Hewlett Packard is now making an ggressive bid to market its latest eneration of cost-effective mainframe Spectrum computers in India as well.

R&D effort. Comments Edward J. Hayes (43), group marketing manager of Hewlett Packard's information technology division: "The Spectrum series comprising the HP 3000 for business applications, the HP 9000 for engineering applications and the HP 1000 for online scientific and process control applications are products of a five year R&D effort by HP. These computers are built around the reduced instruction set concept (RISC) which results in much higher computing speeds at substantially lower costs. The Spectrum series of mainframe computers typically yield computing speeds of 4.5 million instructions per second (mips) at costs that are between 60%-100% lower than that of our two major American competitors, DEC and IBM. A Spectrum mainframe computer without peripherals costs only $290,000 *cf.* over $590,000 for a comparable system manufactured by DEC, and almost $800,000 (Rs. 96 lakhs) for an IBM 4631 mainframe."

According to Hayes, these machines also offer the advantages of a UNIX-based real time operating system, which means that the Spectrum series can be used in process control, scientific and business applications with greater operational flexibility than existing systems. "We believe that these computers represent a major product innovation and will enable HP to increase its market share in the mainframe segment of the global computer market and boost profitability," he adds.

Yet, given IBM's entrenched position within the US and European markets, and its far more effective marketing prowess, Hayes admits that it could be a while before the Spectrum series makes a significant market impact in the US and Europe. In the meanwhile, however, Hayes is more than a little keen on grabbing a big chunk of the Rs. 180 crores earmarked for imports of mainframe computers into India during the Seventh Plan period, and also to market the Spectrum series in the People's Republic of China — another rapidly growing market.

And notwithstanding the political and marketing hurdles in the way of effecting sales in these two markets — exports of mainframe computers from the US to India require US governmental sanction and guarantees that the related technology will not be divulged to hostile powers (i.e. the Soviet Union and its allies), while exports to China pose several marketing difficulties — Hayes believes that it is only a matter of time before the virtues built into the Spectrum series earns a good reputation in the growing worldwide market for mainframe computers.

MICHAEL NERI IN BOMBAY

Khaitan's rich promise

Although instances of technocrat entrepreneurs promoting venture capital-based firms to manufacture hitech products in India are not exactly common, there are nevertheless glimmerings of evidence that a new trend which presages the era of venture capitalism in this country is round the corner. And not too surprisingly, perhaps, it has been left to the Western-educated modern yuppies — young urban professionals — among Indian managers to break new paths and launch businesses catering to tomorrow's markets.

A good example is Dhruv K. Khaitan (37), managing director of the fledgeling, futuristic Debikay Information Technology Ltd. (DITL — estimated turnover: Rs. 11 crores in 1986) which will enter the capital market in August with an issue of 12.3 lakh equity shares aggregating Rs. 1.23 crores. Educated at the Massachusetts Institute of Technology, Cambridge and the University of California, Berkeley, USA, Khaitan's entrepreneurial urges have led him to stake his career in electronics — which is a far cry from his family business in edible oils and textiles.

In particular, he has taken the hard option of challenging heavyweight competitors such as Larsen & Toubro, Asea and Siemens head on by manufacturing relatively sophisticated industrial automation products (e.g. programmable controllers and industrial computers) nudging the upper end of the technology spectrum. "Going by the orders taken, our market share in these specialised

Khaitan: hard option taken

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product areas is around 40% currently," says Khaitan, "and our client list reads like a who's who of Indian industry with names such as TISCO, TELCO, ACC, HMT, BHEL, INDAL, MECON amongst many others."

Leadership position. Khaitan recalls that he set up shop 12 years ago, shortly after his return from the US to manufacture simple DC (direct current) drives. In 1974, his new born firm of Debikay Electronics boasted a turnover of Rs. 8 lakhs and a staff strength of 15. But thanks to "foreign cooperations" which allowed the use of technology initially from CGEE-Alsthom of France and then from Allen-Bradley of the US ("at no stage did we resort to screw-driver methods"), Khaitan strengthened his manufacturing base by setting up factories both at Calcutta and at Sahibabad (near Delhi) to manufacture a wider range of products used in the control of industrial processes. Sales increased rapidly in consequence, enabling Khaitan to claim with justifiable pride, "We have today attained a leadership position in industrial automation."

Not content with this achievement, Khaitan has now readied a blueprint for rapid diversification into the areas of office automation, telecommunications and home electronics. He has already negotiated a technical tie-up with the well-known West German company Grundig AG (estimated annual sales: $1 billion or Rs. 1,200 crores) as a result of which 50,000 colour television sets and an equal number of black and white sets per annum under the famous Grundig brand name will be made and marketed by DITL beginning end 1986. Other audio products and home computers are on the anvil, too.

At the same time, the Sahibabad factory is being expanded to manufacture telephone instruments, PABX systems and fascimile equipment. Yet another factory scheduled to be commissioned soon at Bhimtal (UP) to manufacture electronic typewriters will complete the first phase of Khaitan's ambitious short to medium term growth plans.

Conscious that in his enthusiasm he might possibly be biting off more than he can chew, Khaitan has taken the precaution of ensuring that DITL's board is not a merely decorative one. Using family connections, he has persuaded the Calcutta-based industrialist and supremo of the fast expanding Macneill & Magor group, B.M. Khaitan, to accept the position of non-executive chairman of DITL. Yet another coup has been the induction of ex-ITC and ex-Voltas marketing expert Ramesh Sarin as vice chairman and Dilip Piramal, chairman of VIP Industries, as director. Former chairman of Indian Telephone Industries (ITI) I.K. Gupta — one of the few recipients from the managerial fraternity of the Padma Shri award — has also been appointed an executive director of the company. Obviously, Khaitan will have the benefit of mature counsel which makes him doubly confident that his ambitious growth plans will see the light of day.

"No problems." The "minimum acceptable performance targets" set for DITL by Khaitan are leap-frogging turnover figures to Rs. 28 crores, Rs. 40 crores and Rs. 50 crores respectively in the three years 1987-89 — with profits keeping pace. After the Rs. 1.23 crores public issue, DITL's equity capital will increase to Rs. 2.05 crores but Khaitan is confident that servicing this larger base should be "no problem," barring unforeseen circumstances.

But given that Khaitan is staking his entire career on DITL and his reputation as a venture-technocrat is on a limb, clearly no stone will be left unturned to ensure that performance matches promise.

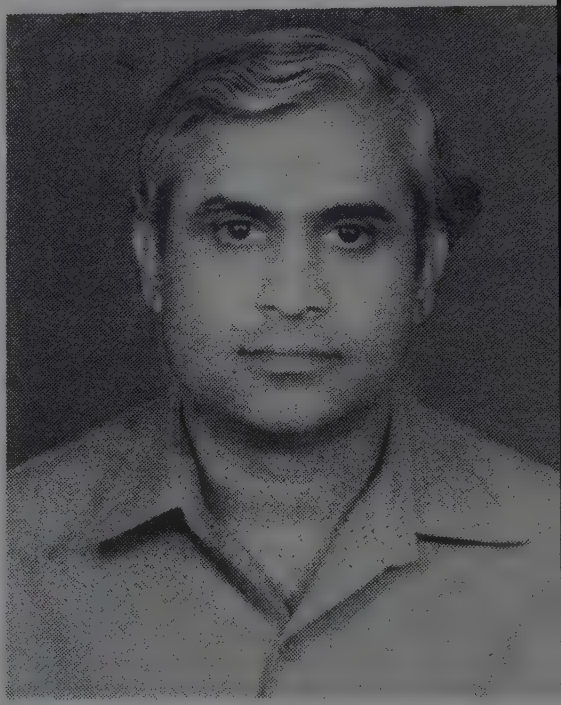
SUJOY GUPTA IN CALCUTTA

KSFC's good show

The Karnataka State Finance Corporation (KSFC), notwithstanding the vital role it has played in the industrialisation of this southern state, rarely merits mention in the media. But when in early July KSFC was vaulted to second place among state finance corporations in the country after the UP State Finance Corporation with a spectacular performance of sanctions, disbursements and recovery of loans to entrepreneurs during 1985-86, its managing director B.S. Patil (43), saw fit to call a press conference in Bangalore to break the good news and to talk about KSFC's not unimpressive achievements.

Just how impressive is indicated by the fact that drought and power shortages notwithstanding, KSFC received a record 5,227 applications for loans aggregating to Rs. 127.85 crores and obliged 4,795 of the applicants. Sanctions of loans aggregating Rs. 103.57 crores during the year are expected to provide jobs for 85,000 citizens and generate an annual output of Rs. 517.5 crores.

Increased sanctions. Significantly, an overwhelming majority of the beneficiaries were from the small-scale sector. "We have pumped in more funds into the small sector in the last three years than at any point in time during t previous two decades. From a mod Rs. 18 crores in 1980-81 the volume sanctions has increased rapidly to ov Rs. 100 crores today," observes Patil, arts graduate of Karnatak Univers who joined the Indian Administrati Service (IAS) after a stint as a comm sioned officer in the Indian army. T corporation disbursed loans aggregati Rs. 68.29 crores during 1985-86, a 27.3 increase over the previous year, and r covered Rs. 48.1 crores in loan servi payments as against Rs. 38.10 crores la year. The accumulated overdues at t end of March 1986 aggregated Rs. 34. crores, excluding payments locked up the so-called 'suit-filed' cases.



Patil: time to take stock

But notwithstanding its impressive re cord of making loans, Patil claims tha the time has come to slow down and tak stock. "In some areas in the small secto such as engineering and agro-based in dustries, a saturation point seems to hav been reached. There is little point i financing the creation of fresh capacit when existing capacity remains underutilised. We are reviewing the situation," says Patil. Accordingly, the targe for sanctions in 1986-87 has been pegge at the same aggregate value as sanction made this year.

KSFC's role is not just confined to helping promote new ventures, and as the momentum of sanctions for new ventures slows down, the corporation's involvement in the rehabilitation of existing sick units — its other major activity — is bound to increase. During 1985-86 KSFC extended rehabilitation assistance aggregating Rs. 3.66 crores to 27 units.

A portion of KSFC's funds are also earmarked for the provision of reliefs to ventures promoted with KSFC's funds hich have run into financial trouble. eliefs such as funding of interest dues nd rescheduling of repayments were rovided to 710 such companies during e same year. Rescheduling of payents, according to Patil, is normally ermitted only once.

This broadly supportive philosophy otwithstanding, Patil admits that the ajority of small entrepreneurs have to ontend with such teething problems as nadequate working capital, lack of arketing channels, power shortages *et* *l*. And though, says Patil, KSFC views uch problems sympathetically, it insists n the timely payment of interest for hich certain incentives are given.

In 1985-86, KSFC took the initiative in nancing several innovative projects uch as electronic measuring instruents, disposable hypodermic syringes, DPE woven sacks, mini cement plants, olour television sets, moulded luggage, ubmersible pumps, micro-meters, ower-line communication equipment, ontact lenses, medium and small boilers nd hydraulic hose fittings.

With the opening of four new ranches during the course of this year, SFC is now represented in all districts of Karnataka. As a consequence, much to ne relief of the loan-seeking enrepreneur, the average time taken for anctions has been reduced to 28 days rom around 60 days a couple of years go.

asic strength. Says Patil not without a ouch of pride: "Every application is creened by an expert committee, and vithin seven days of receiving an applicaion for a loan, the applicant is informed vhether he is entitled to it or not. I chair nost screening committee meetings lest ny prospective entrepreneur is turned own on some unconsidered pretext by a nember of our own staff. This is not to e construed as an adverse comment on ur employees. In fact, our basic trength lies in our highly qualified and notivated team of executives."

I. RAGHAVAN IN BANGALORE

A Bright promotion

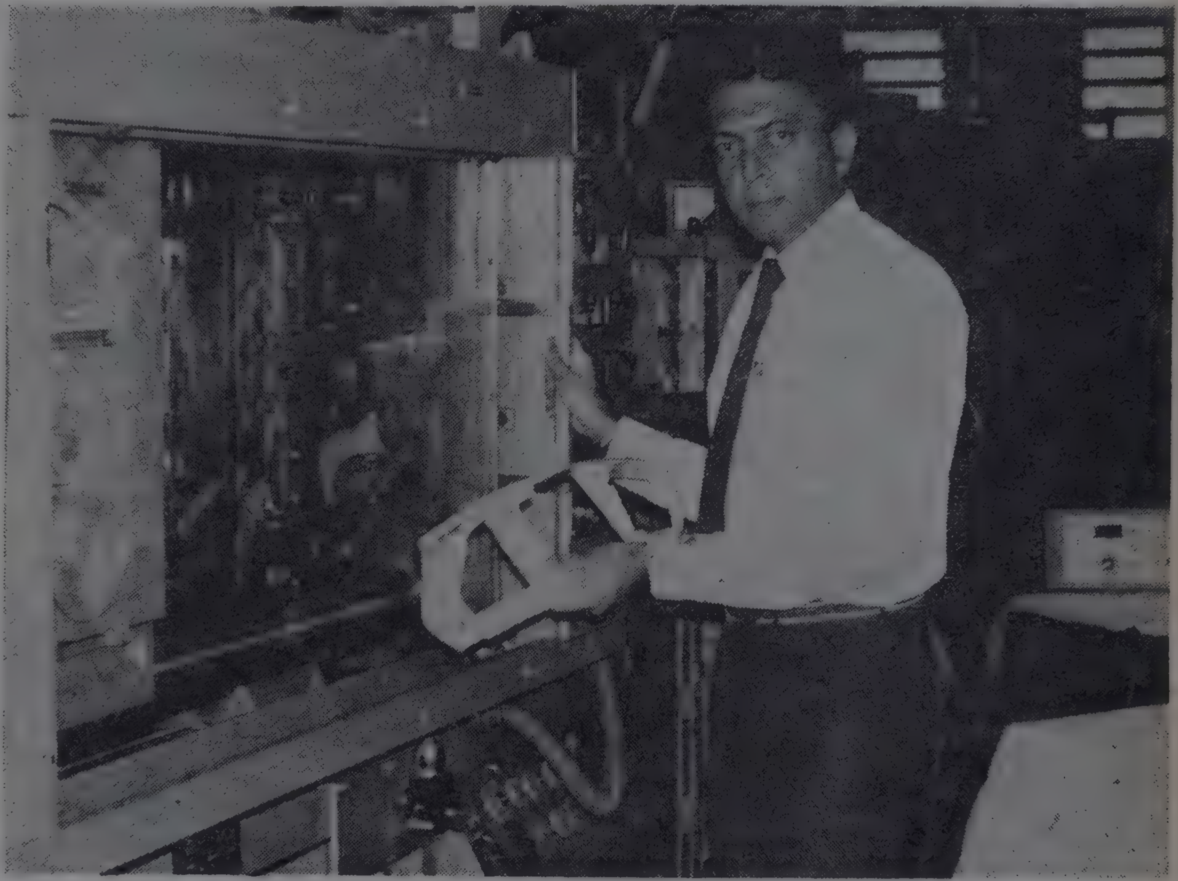
The belated production boom in the automotive sector — which vas inevitable given the abysmal erformance of the country's numerous tate government-owned road transport ystems — has come as a boom to small-cale automotive components manfacturing enterprises. In addition, this overdue boom has also opened up new vistas for the Indian plastics industry which, because of high excise duties on intermediates, has not hitherto realised its true potential.

And it is in the fitness of things, that one of the first consumer plastics manufacturing companies to get off the mark and cash in on the automotive boom is the Bombay-based Bright Brothers Ltd. (BBL — sales: Rs. 9.30 crores in the year ended 30th June 1986). Over the years BBL has acquired a good reputation as a manufacturer of plastic consumer products, custom-made industrial plastics and material handling and rotational moulding plastics sold under the brand name Brite.

Public issue. A year ago BBL promoted and incorporated a new company under the name and style of Bright Automotive & Plastics Ltd. (BAPL) with its works in Pithampur near Indore in Madhya Pradesh. The company, which has commenced manufacturing automotive plastics such as dashboard housing panels, oil tanks and engine covers for the automotive two-wheeler industry with "informal aid and advice" from the Honda Motor Co., Japan, is going public. A public issue of 6.1 lakh equity shares of Rs. 10 each at par to raise Rs. 61 lakhs is slated to open for subscription in September. The promoter BBL and its associates will contribute an additional Rs. 64 lakhs towards the project cost of Rs. 3.6 crores, while the remainder has been tied up by way of term loans from the public financial institutions.

"BBL, the promoter company, is already supplying plastic components for the Kinetic Honda scooter and the Hero Honda motorcycle with average monthly sales amounting to Rs. 16 lakhs. In September, after BAPL goes public, BBL's automotive business will be transferred to BAPL which has a licensed capacity to manufacture 2,000 tonnes of injection moulded plastic components per year. I expect BAPL to attain its installed capacity of 1,000 tonnes within three years when annual sales turnover should exceed Rs. 7 crores," says Suresh Bhojwani (38), a mechanical engineering graduate of Boston University, vice president and chief executive of BBL and a director of BAPL.

According to Bhojwani, the recently promoted BAPL enjoys several advantages over other automotive plastic component manufacturers in India. Among them: the push the new company will get because of the reputation that BBL has acquired in the marketplace over the last 40 years since it commenced doing business; the special relationship the new company has forged with the Honda Motor Co. and the advanced technology which the company proposes to utilise to manufacture its plastic automotive components. "We have imported two of the latest state-of-the-art microprocessor-controlled injection moulding machines from Toshiba, Japan, at the cost of Rs. 1.3 crores. These guarantee the high quality and reliability of our components," says Bhojwani.


Bhojwani: off the mark to cash in on the automotive boom

Smooth start. On the marketing front as well, BAPL has got off to a fast and smooth

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start, says Bhojwani. It has already signed supply contracts with Kinetic Honda, Hero Honda and Maruti Udyog while negotiations are currently being conducted with TELCO, Bajaj Tempo, Eicher Motors and Shriram Honda among other companies. "Being located in Pithampur where Kinetic Honda, Bajaj Tempo, Mitsubishi Eicher and Hindustan Motors-Isuzu have also located their manufacturing plants gives us a locational advantage.No other automotive plastic components supplier is sited there at present," says Bhojwani.

Not surprisingly Bhojwani exudes optimism about the future. "The automotive two-wheeler industry is booming with production expected to rise from the current 900,000 vehicles per annum to 2 million per year by 1990. And though currently BAPL is concentrating its attention on this segment of the automotive market, the company has a major role to play in the four-wheeler — specially motorcar — industry as well. Currently there is a worldwide trend towards using plastic components to reduce the curb (stationary) weight of motorcars with the objective of obtaining fuel economy. BAPL has already installed capacity to manufacture car bumpers, instrument panels, door liners and roof liners using high performance engineering plastics. I would say BAPL's future is very bright," says Bhojwani.

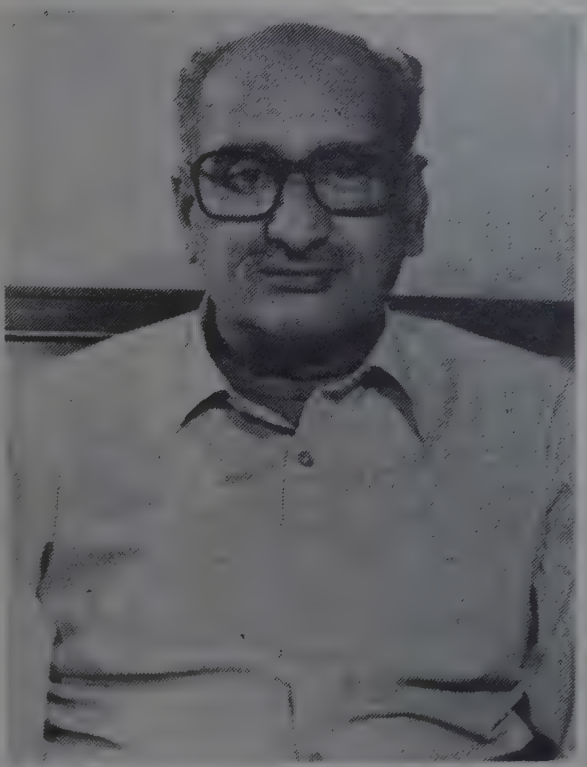
Even if unintended, the pun sounds appropriate.

DILIP THAKORE IN BOMBAY

Cementing success

The rush to build mini cement plants has not petered out as yet, despite excess capacity in the cement industry. Not surprising, considering the performance of the Hyderabad-based Nagarjuna Cements Ltd. (NJC — gross income: Rs. 10.70 crores; net profit: Rs. 1.37 crores in the year ended 31st December 1985), which has declared an interim dividend of 14% based on the excellent performance of the company in the half year ended 30th June.

Addressing a press conference in Hyderabad on 18th July, K. Ramachandra Raju (50), a law graduate of Bangalore University and managing director of the company, stated that the NJC factory operated at 152% of its rated capacity which had enabled the company to register a sales turnover of Rs. 6.11 crores in the first half of the current year *cf.* Rs. 4.36 crores in the corresponding period last year. Despite the so-called glut in the cement market, net profit in the first half of the current year was a healthy Rs. 1.12 crores.



Raju: unaffected by the glut

"Nagarjuna Cements was the first mini cement plant to cross the Rs. 10 crore mark in sales turnover in 1985 and is heading for a new record with sales of Rs. 12 crores for the current year. If current performance is any indication the shareholders can expect a higher dividend than the 20% paid last year," says Raju. Cement production in the company increased by 48% over the corresponding period in 1985 to 50,470 tonnes during the first six months of the current year. But not content to rest on its laurels, the company's management has planned substantial capital expenditure to attain 200% of its rated capacity and for installing additional pollution control equipment.

"The company's results were achieved despite excess capacity in the industry and the promotional drives and fancy gift schemes offered by our competitors. I think this says quite a lot about the quality of cement we are producing," says Raju.

More projects. The success of Nagarjuna Cements is not a flash in the pan for Raju. Over the last two decades, he has successfully promoted and managed Deccan Nitrates, Vikram Chemicals, and Kakatiya Chemicals — and more projects are on the drawing board of his modest office in downtown Hyderabad. According to Raju, Nagarjuna Cements (the company has nothing to do with the better-known Hyderabad-based Nagarjuna group) plans to invest Rs. 5 crores in

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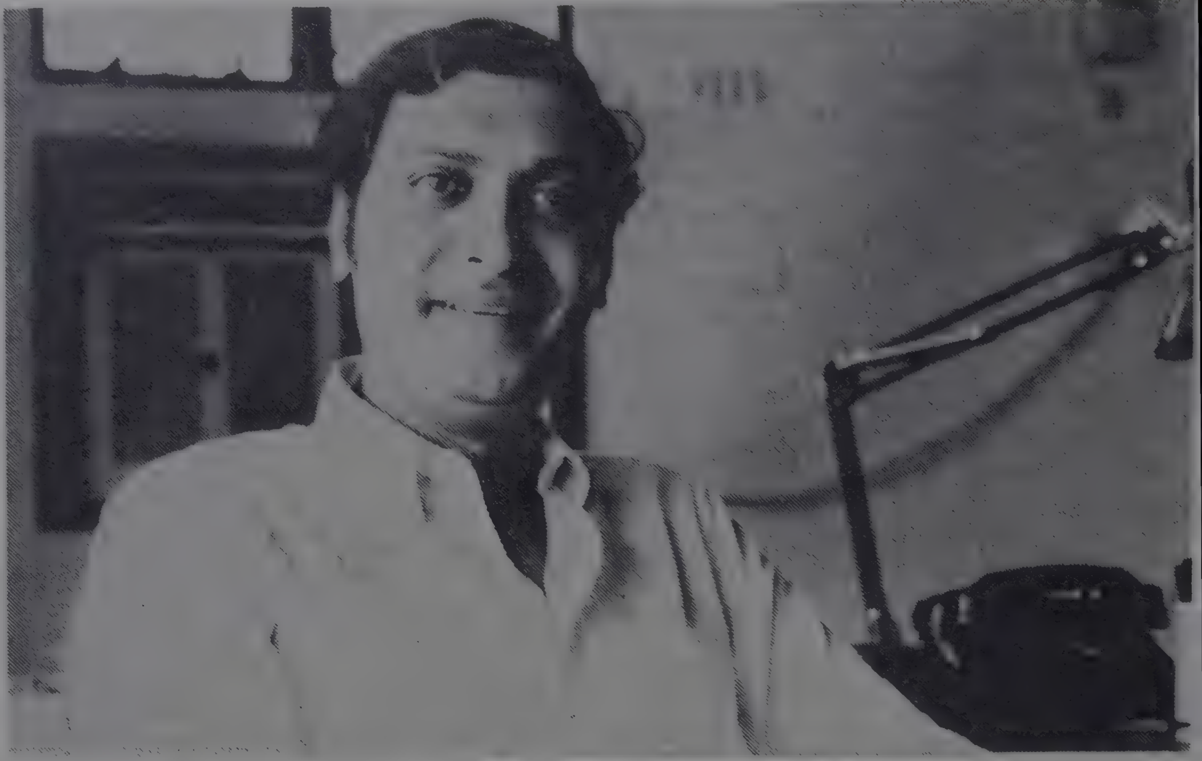
the manufacture of cold-rolled pre-painted steel profiles for applications in window and furniture manufacturing. "The company also plans to manufacture cement boards which can be a substitute for asbestos sheets. It has now been established that asbestos sheets are carcinogenic and cement boards with wood fibre instead of asbestos fibre will be cheaper than asbestos sheets," explains Raju.

The company has already acquired land for its project to manufacture accessories for low-cost housing projects. Raju plans to begin this diversification with cement related products to overcome the problem of marketing. The company also has an application pending with the government of India for a letter of intent for a gas-based ammonia plant.

"There is tremendous pressure on cement prices with the sudden increase in the production of the industry and the going is likely to get tough during the next two to three years. However, with its high capacity utilisation and tight cost control, Nagarjuna Cements will keep improving its profitability," says Raju confidently.

P.L. DIWAKAR RAO IN HYDERABAD

Bloody good news



Jaishankar: first in the market with first AIDs kits

With the AIDS epidemic having finally broken on Indian shores, a whole new market for pharmaceutical products aimed at potential and actual AIDS patients has suddenly opened up. And the Madras-based Chemech Laboratories Ltd. (CLL — estimated sales: Rs. 1.2 crores in the year ended 30th June 1986) has lost no time in cashing in on an opportunity which, judging by the number of Indian patients who have sexually transmitted diseases, should be rich.

Comments T.S. Jaishankar (37), a postgraduate in business management from Bombay University and managing director of CLL: "We are the first Indian company to market imported AIDS diagnostic kits in India. We will also be the first Indian company to manufacture such kits in India, in collaboration with Cambridge University, UK. Right now, we are in the process of standardising the design of the kit and we hope to be in the market around September-October. It will be priced at around Rs. 1,000 per kit (of 100 tests). We hope to generate revenues aggregating Rs. 1 crore per annum from this line of business alone.

According to Jaishankar, CLL, which currently manufactures a range of biological products derived from human blood, will enter the capital market on 20th August to part-finance the expansion of its existing production facilities and to diversify into the manufacture of AIDS kits. The proposed equity issue of 5,70,000 equity shares of Rs. 10 each for cash at par aggregating Rs. 57 lakhs will constitute a mere 28% of the Rs.2.04 crores that CLL proposes to invest in its expansion and diversification over the next one year.

Large demand. Jaishankar who is one of the two original promoters of CLL justifies the expansion and diversification. "CLL started out as a small-scale unit with a capital of only Rs. 5 lakhs in 1976. We manufactured a range of blood component therapy products such as fibronogen, haemophilic factor, gammaglobulin, Rh immunoglobulin, and human albumin that were hitherto largely imported. The demand for our products was so large that, though we operated on a three-shift basis, whatever was produced was sold in Madras city itself," he says.

So the potential market is obviously huge and the two other companies in India which manufacture a similar range of products, *viz.*, Haffkine Institute, Bombay and Curewell Labs Ltd., Bombay, together manufacture less than what is required. Therefore, the government of India has banned exports of these crucially important, life-saving products and has permitted them to be imported duty free on an OGL basis. "The imported prices however are about three times higher than our price. Thus, both the demand and price factors make the manufacture of human blood-derived products a good business opportunity. In respect to the AIDS kits as well, demand is expected to grow rapidly and our prices will be lower than that of imported kits," says Jaishankar.

Given this, it is perhaps not surprising that CLL is setting up a massive 30,000 sq. ft. factory at Gummidippondi, on the outskirts of Madras to manufacture these and other products. According to Jaishankar, the new plant which will have a capacity to process 36,000 litres of blood per annum and generate products valued at around Rs. 25 crores will be one of the most modern plants of its kind in the world. Indeed, the company's commitment to use the most sophisticated technology available attracted the attention of Serono Labs SA, (SL) Switzerland, a leading manufacturer of human hormones. SL promptly made a collaboration proposal to CLL for the manufacture of hormones in India, which CLL readily accepted.

"The manufacture of blood-derived products and of human hormones have many things in common — the equipment, principles of production, etc. The products which we propose to manufacture, *viz.*, infertility hormones, growth hormones and urokinase will initially be imported. No other company manufactures these products in India so far," says Jaishankar.

Promising tie-up. The Serono collaboration and more recently the signing of a marketing tie-up with the diagnostic division of Hoffman La Roche, Switzerland, for marketing a wide range of this Swiss multinational's diagnostic kits, was what prompted Jaishankar to go public. Both the tie-ups necessitated an increase in production capacities, expansion of CLL's marketing network, and more working capital, etc., all of which required funds. Given its unique product range and the promising tie-ups, Jaishankar is optimistic about CLL's future. "No other company in this line of business will be able to stand comparison with CLL once we complete our factory. We hope to quadruple sales revenue to Rs. 5 crores by the end of July 1987," adds Jaishankar.

If this means spilling more than a little blood — 36,000 litres to be precise — no one, and least of all the thousands of patients who need the products of the company, are likely to mind.

CHANDU NAIR IN MADRAS

New power bonds

If the keenness with which the public sector power generating utilities are falling over themselves to tap the increasingly discerning capital market for funds is any indicator, good news must be in store on the power front. Hard on the heels of the National Thermal Power Corporation, the Rural Electrification Corporation and the Neyveli Lignite Corporation, the New Delhi-based National Hydroelectric Power Corporation Ltd. (NHPC — sales: Rs. 37.18 crores in the year ended 31st March 1985) is all set to go public with yet another tranche of power bonds on 18th August.

As B.R. Oberoi (54), chairman and managing director of the state-owned NHPC, which was incorporated in 1975 to develop the hydel power generation capacity in the country, points out, "We are offering an issue of 12,50,000 bonds of Rs. 1,000 each for cash at par. Of this, 6,50,000 bonds have been earmarked for private placement with the financial institutions, leaving 6,00,000 bonds for subscription by the general public. We plan to raise Rs. 125 crores in this way to finance three hydroelectric projects that are slated for commissioning in the Seventh Plan period."

Heavily oversubscribed. Although capital market monitors tend to be sharply divided on the investor response that such bond issues have evoked and are likely to evoke, the fact that the recent NTPC issue was heavily oversubscribed offers more than the proverbial ray of hope for similar issues. However, it can hardly be denied that NHPC is a rather low-profile organisation which came into being when most of the hydel projects in the country had run into trouble. As Oberoi points out, "If you remember, within three years of NHPC taking over the task of setting up such projects, the 180 Mw Baira Siul project in Himachal Pradesh and the Loktak 105 Mw project in Manipur had been commissioned."

In addition, it was NHPC which was responsible for the completion of the 14.1 Mw prestigious Devighat hydroelectric project in Nepal — the first international contract executed by NHPC — nearly one full year ahead of schedule, says Oberoi.

Oberoi: hydel advantages

"Today, we are working full steam on the 345 Mw Salal project in Jammu & Kashmir; the 120 Mw Tanakpur project in Uttar Pradesh; the 710 Mw Koel Karo project in Bihar; the 390 Mw Dulhasti project in Jammu & Kashmir and the 540 Mw Chamera project in Himachal Pradesh which is fast nearing completion," claims Oberoi.

Despite this impressive list of ongoing projects, Oberoi acknowledges that it hasn't been entirely smooth sailing for NHPC with controversy dogging the Chamera project and work on the Koel Karo project having made virtually no progress during the past two years, due to the resistance of the local people against the acquisition of their land.

Despite these setbacks, Oberoi points out that techno-economic investigations for a number of other projects have been completed for which government clearance is likely to materialise shortly. "Among the projects in the pipeline are the 260 Mw Dhauliganga project in UP, the 120 Mw Dhaleswari project in Mizoram, the second stage of the 345 Mw Salal project and the 480 Mw Uri project, both in Jammu & Kashmir. In December 1984, execution of the 3 x 150 Mw Baglihar, 4 x 150 Mw Sawalkot and 170 Mw Ratle projects in Jammu & Kashmir were also transferred to NHPC," says Oberoi.

Shifting emphasis. The key to the grandiose visions of Oberoi, who since his appointment as chairman in 1984 has sent the adrenalin pumping through NHPC, lies in avoiding the costly time overruns that have dogged hydro electric projects in the past. As Oberoi himself admits, it was this factor that led planners to shift the emphasis of the power sector into thermal power plants. Yet, Oberoi says, "Hydel power has certain obvious advantages. Firstly, it is cheap as raw material costs are nil, with water flowing free. It is also clean, non-pollutive and non-corrosive, easily augmentable and controlled to help grids cope with peak-load consumption. I think we are going full circle back to hydel power."

It may be recalled that although hydel generation contributed as much as 46% of the total power generated in the country in the late sixties, its contribution has dwindled to as little as 35% in the recent past. "Surveys place the country's hydro-potential as high as 75,000 Mw at a 60% load factor. Today a mere 16% of this has been exploited and 7% more is under development. By the end of this decade, the hydel sector is expected to contribute 20,500 Mw of power per annum or 41% of the total power generated in the country," says Oberoi.

Despite NHPC being dependent on just two projects for the bulk of its sales, with average plant load factor being as high as 79.58% last year, the corporation's sales were estimated at Rs. 36.93 crores in the nine month period up to 31st December 1985 — just as much as in the full fiscal year of 1984-85. With raw material costs being zero, NHPC also notched up a record profit of Rs. 16.14 crores in the same period or 44% of total sales turnover. "Although our rates are extremely cheap, as more of our projects go on stream, we will be an extremely profitable organisation," says Oberoi.

The only check that NHPC may have to face is the social cost of its projects, be it in terms of the displacement of humans or the extensive deforestation which is necessary to accommodate hydro-electric projects. Despite its best efforts, this is a cross that NHPC will have to bear as the unrelenting search for more power assumes a new urgency for the economy.

ANAND P. RAMAN IN NEW DELHI

Sengupta report perspectives

P.C. LUTHAR

The report of the Arjun Sengupta Committee on public enterprises which was released in May 1986 is succinct. It covers, within the span of a few pages, a wide range of issues relating to the public sector enterprises (PSEs) of the Central government. The issues covered include: the PSEs' role in industry and economy of the country; organisational structure; relationship with government; relationship with Parliament; investment funding; wage policy; executives' appointment, remuneration and tenure; accountability and autonomy; auditing systems; productivity, etc.

I do not propose to analyse each individual issue and the recommendations of the committee thereon because such an exercise inheres the risk of losing the wood for the trees. Instead, I have chosen to deal with the broad strategic and cultural aspects of PSEs and the environment within which they are called upon to perform.

The operational performance of any organisation depends on the formulation of result-oriented strategies and the inculcation of an accomplishment-oriented culture in the organisation. And, the ultimate yields of both these factors are influenced by the nature of the enveloping environment. A positive environment will enhance the yields; a negative environment will depress them.

ADAPTING ABILITY

It is axiomatic that the sheer survival of all industrial and business enterprises depends on their ability to adapt their strategies and organisational culture to changes in the national and international climate of business and industry. The type of adaptive organisation that can fill this bill is the antithesis of bureaucracy which, by its nature, is rigid, inflexible, precedent-oriented, tradition-bound and resistant to change. By the same token, bureaucracy excludes innovation which is the *sine qua non* of an adaptive organisation.

One could quote any number of examples of the fading away and extinction of organisations solely because of their inability to adjust to changes in the external climate. The one-time blue chip companies such as Indian Iron & Steel at Burnpur, Burn Standard, Jessops and Braithwaites, perished on the altar of this deficiency. The premise is understood by the contrast presented by innovative enterprises such as Tata Iron & Steel, TELCO, Hindustan Lever and Larsen & Toubro, to name a few.

The quality of management of PSEs and the quality of environment of each PSE varies over the time continuum, depending as they do on leadership styles of incumbent managements and the prevailing postures of administering ministries. Thus, these isolated instances of outstanding performance are the consequence of fortuitous conjunctions of interacting personalities. Let me draw on a personal experience to underscore the point of fortuitous configuration of propitious circumstances.

Soon after I was appointed chairman of the public sector Damodar Valley Corporation (DVC) on 4th August 1980, I was summoned to meet prime minister Indira Gandhi who, I was told, was very concerned about the speedy revival of the organisation, whose performance was crucial to the entire coal belt in the eastern region, four integrated steel plants and the economy in general. At this meeting, I explained my strategy of revival and also handed over to her a synopsis of the strategy which is on record. After I finished my presentation, she asked me, "What help do you need from me?" After thanking her for her gracious offer, I asked for two favours—one, her blessing and two, autonomy in management. Her answer was: "You have my assurance on both counts."

HISTORIC TURNAROUND

The story of the revival of DVC from 1980-81 onwards is well known. It has been extensively documented by management experts in India and abroad. I should like to stress with all the emphasis at my command that the historic turnaround in the performance of DVC would not have been possible but for the autonomy that was granted to me by the coincidence of circumstances. This autonomy enabled us to jolt the highly bureaucratic, outdated and centralised structure into a resilient set-up, based on the concept of semi-autonomous divisions of responsibility with matching authority. It enabled the disciplining of nearly 20 warring unions in the teeth of pitched opposition from their political patrons. Nearly 1,200 persons were identified as surplus in the total employee strength of 18,500. The entire surplus was offset through an array of measures including a ban on fresh recruitment, retraining and redeployment to cater for normal wastage, on-going expansion and inter-unit transfers.

As a consequence, the performance of the corporation registered a dramatic upsurge. Power generation from the same units went up by over 60% within one year. The financial hue of DVC changed from red to black. From a loss of Rs. 2 crores during the six months preceding the launching of the new style of management, the corporation earned a profit of Rs. 7 crores during the succeeding six months. The following two years yielded profits of Rs. 57 crores and Rs. 72 crores respectively. None of these results would have been possible without the ruthless dismantling of the stand-pat bureaucratic mould into which the organisation had degenerated. And this radical reform would not have been possible without immunity from interference by the high priests of bureaucracy in the ministry.

The Arjun Sengupta Committee has recognised the existence of formal and informal intervention by the ministries in the day-to-day operations and other functions which lie within the jurisdiction of PSE managements. The greater the fervency of the administrative ministry's intervention in a PSE, the greater is the infusion of bureaucratic culture into the enterprise. The result is the disorientation of the organisation from the adaptive and innovative mode.

The principal instrument of formal and informal interference in the working of PSEs is the institution of government directors on the boards of PSEs. In many cases, government directors outnumber functional directors. And they can shackle the chief executive with bureaucratic fetters. They look upon themselves as the (representatives of) proprietors. Further, they belong to the elite club of the bureaucracy with access to the nodes of power in the government. A combination of these factors imbues the government directors with disproportionate authority without any accountability for the performance of the organisation.

Then again, government directors become vehicles of communication between the PSEs and the ministries. This inhibits direct communication between the chief executives of PSEs and secretaries, as well as the ministers. The result is that the information received by the latter is tainted with bureaucratic biases and blinkers, not to mention personal idiosyncracies.The obvious casualty is objectivity and equity of appraisals and decisions to the detriment of the morale and performance of PSEs.

The recommendation of the committee itself to retain government directors on the boards of PSEs is tongue-in-cheek since it is laced with the following rider: "It should, however, be ensured that the officials nominated as government directors had adequate experience of public enterprises. Where this is not so, such officials, before being nominated to the board, should be given orientation for a sufficient period in one or more enterprises under the charge of the administrative ministry concerned." The assumption underlying this rider is that seasoned bureaucrats can be easily deconditioned. This is wishful thinking which contradicts experience.

The committee has also recommended the holding company concept as a means of avoiding excessive interference by the government. I have serious doubts about the efficacy of this prescription as well.

My scepticism derives from the fact that in practice, even subsidiary companies which are placed under a parent company as per company law regulations are controlled (and managed) directly by the ministries to the virtual exclusion of the parent company. For example, the Handlooms and Handicrafts Export Corporation (HHEC) is a subsidiary of STC, but the management of STC is not allowed any say in the selection of the chairman or directors of HHEC. STC is not associated with the performance review meetings of HHEC which are held between the officials of the ministry and the HHEC management itself. HHEC does not submit any reports to STC except the circularised annual report. Tour programmes of the chairman and directors of HHEC are approved by the ministry; the parent company is not even informed. All pleas to the government by STC against these aberrations proved abortive. Not only that, these legitimate attempts were viewed as offensive intrusions.

INCONSISTENT PRINCIPLE

There is no reason to believe that in the absence of self-abnegation of interference by the government in the working of PSEs, the holding company set-up will be immune from a similar fate. And if such self-abnegation does occur, the logic underlying the holding company concept will be negated. Then again, the holding company proposition is inconsistent with the general management principle that the efficiency of systems is inversely proportional to the number of tiers of management in the system; the holding company implies the addition to another tier.

The committee has made the following recommendation in respect of responsibility of PSEs to Parliament and responsibility to the government: "The responsibility to Parliament would be discharged by the minister with the assistance of the chief executive himself who would assist in the answering of Parliament questions, debates, etc., concerning enterprises under his charge. The secretary of the administrative ministry would not be concerned with these matters. The board of directors of the holding company would enjoy all authority, consistent with their responsibility. The holding company would also specify its plans for investment, production, capacity utilisation, profits, dividend, etc., for a five year period and, therefore, enter into a memorandum of understanding with the government on a mutually agreed basis. Certain obligations would also be cast on the ministry or department regarding provisions of equity, price level, etc. This memorandum of understanding would be reviewed each year and updated, and the performance of the holding company judged on this basis, making due allowance for the failure or otherwise of the ministry or department to fulfil its part of the understanding."

'The holding company proposition is inconsistent with the general management principle that the efficiency of systems is inversely proportional to the number of tiers of management in the system; the holding company implies the addition to another tier'

These recommendations are perspicacious. All that is needed in the context of my views on holding companies is the substitution of the words "holding company" by "public sector enterprise." Of course, the reciprocal commitments of both parties must be quantified on a time frame on the principle of what, by whom, by when. This is crucial for objectivity of appraisals which is the essence of meaningful and equitable assertion of accountability.

REMOVING LACUNA

The recommendations of the committee on simplification of procedures and acceleration of sanctions in respect of investment proposals and capital budget are unexceptionable. However, one usual cause of time overruns appears to have been omitted—i.e. non-provision in the project estimates for increases in costs due to inflationary thrusts and administered prices of inputs. The removal of this lacuna will help avoid the need for repeated references to the sanctioning authorities for approvals of unavoidable cost increases.

The committee has not favoured the sale of shares to the public by the existing public sector companies. In my opinion, it would be a good idea to experiment with the sale of a portion of the shares of selected PSEs to the public and also to the employees. This will help intensify accountability; wean the organisation from bureaucratic culture and enhance employees' stake in the performance of the organisation.

On wage policy in public enterprises, the committee has suggested that "the basic wage structure of the employees of public enterprises (covering basic pay, dearness allowance and certain standard allowances like HRA and CCA) should be determined on an industry basis or on an industry-cum-region basis. This can be done either by a wage commission or through the mechanism of industrywise wage boards and settled for a period of five years."

Likewise the Sengupta Committee's recommendation to introduce productivity-linked incentive schemes is unexceptionable. However, the three essential prerequisites for the success of any such scheme are: the incentive earning must constitute a significant proportion of the basic wage; the malaise of overtime must be curbed as a precondition to the introduction of the scheme; and the scheme should be explicit and capable of easy comprehension by even the lowest level employee.

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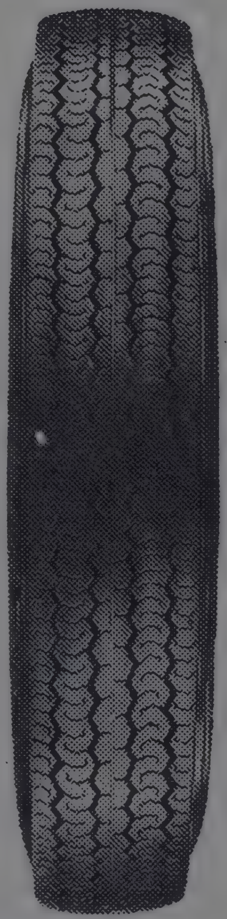

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THE ISSUE

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PRESSMAN

The committee has also recommended the extension of tenure of the chief executives and board of directors from two to five years. This is long overdue for the following reasons: (i) it takes anything up to a year for a person to acquire an indepth knowledge of the operations and the people especially in large and complex organisations. The time left for contributing the benefit of this knowledge to the institution is totally inadequate; (ii) the relatively short tenure gives the impression of a bird of passage which makes it difficult to engender allegiance, the *sine qua non* of effectiveness; (iii) each chief executive has a distinctive style of management, to which people are expected to adjust. Frequent demands for adjustment strain the attitudinal resilience of personnel. This causes apathy and antipathy in that order over a period of time and (iv) a short tenure tends to warp the priorities of long term versus short term interests to the detriment of the organisation.

Another point that needs to be made in this connection is that at present, the remuneration of the chief executives and directors of PSEs compares very unfavourably with that of even government servants, not to mention their counterparts in the private sector. This is a reversal of the erstwhile position which has come about as a consequence of the much higher rates of dearness allowance allowed to "permanent" government servants in the recent years.

This growing disparity has depressed the relative status of the senior executives of PSEs to the detriment of their morale and working equations with bureaucrats. Upward revision of the remuneration of the top executives of PSEs is a matter of urgency. But that, by itself, is not enough. The administrative set-up in India is overly conscious of relative status. This is a reality that cannot be wished away. Gradation and slotting of people is done on the reference frame of bureaucratic hierarchy. Therefore, there is need to make a formal allocation of appropriate status to chief executives of PSEs on the lines of according the status of secretary to the government to the chief executive of an 'A' class PSE, and joint secretary to that of a 'C' class PSE. This will facilitate salutary working equations, stimulate self-assurance and enhance effectiveness.

MALADY OF OVERMANNING

One important point not touched by the Sengupta Committee is the malady of overmanning afflicting most of the PSEs. For example, the number of persons employed per tonne of steel production in India is over four times the number employed in Japan. This excess fat in the bodies of PSEs is the result of disproportionate emphasis on the provision of direct employment by these enterprises.

In reckoning the employment potential of industry, one must take into account the total employment—indirect as well as direct. To illustrate this point, let us consider the microchip industry. The total number of persons directly employed in this industry worldwide is estimated at no more than 60,000, but the indirect employment engendered by it runs into millions. It is this cascade of jobs created downstream which justifies the investment of billions of dollars in this technology. Any attempt to judge the merit of this investment on the criterion of direct employment would be inane.

What is needed is a purposeful reorientation of organisations towards the primacy of performance over procedure and their liberation from the paralytic fear of failure. This calls for credible signals to the people that bona fide errors will not be penalised on the basis of hindsight wisdom and departure from established precedents; they will be judged on the basis of overall performance. In this context of enlightened tolerance of minor mistakes, let me quote the authors of the bestseller *In Search of Excellence:* "Tolerance of failure is a very specific part of the excellent company culture—and that lesson comes directly from the top; champions have to make lots of tries and consequently some failures, or the organisation won't learn." These views are in obvious contrast with the bureaucratic 'Wellingtomania' of infallibility—"there is no mistake; there has been no mistake, and there will be no mistake."

ATTITUDINAL CHANGES

The requisite cultural change in the PSEs demands an attitudinal change in the administering ministries which will, in turn, trigger a resonant change in the management styles of PSEs. It will dispel the sterilising syndrome of 'no mistake,' encourage innovation and transform cultural drag into cultural thrust.

> **'What is needed is a purposeful reorientation of organisations towards the primacy of performance over procedure and their liberation from the paralytic fear of failure. This calls for credible signals to the people that bona fide errors will not be penalised on the basis of hindsight wisdom and departure from established precedents'**

But, then, it is unrealistic to expect a revolutionary transformation of all the administering ministries from the bureaucratic mould to the innovative and adaptive. The answer lies in placing all PSEs, especially those concerned with production, under one ministry which should be manned by experienced technocrats imbued with the primacy of performance. This will help bring about the required cultural transformation. It will also foster a relationship of mutual support among PSEs; enable rationalisation of wages and salaries; avoid cultural conflicts flowing from differentials in terms and conditions of service; and avoid conflicts arising from differences in styles and postures relating to industrial relations. If so preferred, marketing functions may be delinked from production. The former may continue with different ministries.

It may be argued that it is not possible for one ministry to manage such a large number of PSEs. The argument is valid if, and only if, the ministry were envisaged as managing the PSEs. But if the ministry changes its role perception from management to monitoring and support, the proposition is entirely feasible. And such a change in role perception is attainable with the proposed manning by experienced technocrats. Why not give it a fair trial?

The revival of PSEs calls for a tough-minded systems approach as distinct from tinkering with the edges of the system. The latter merely produces an illusion of change which diverts attention from the need for bold and meaningful change. Therefore, it does more harm than good.

The array of measures that I have suggested are based on my experience of 37 years, including 30 years in government service and seven years as the chairman of three major public sector enterprises. Some of the measures are admittedly radical. But so are all paradigm shifts that are needed to usher epoch-making progress in any field.

This is an extract from a forthcoming book to be published by Allied Publishers (P) Ltd., New Delhi.

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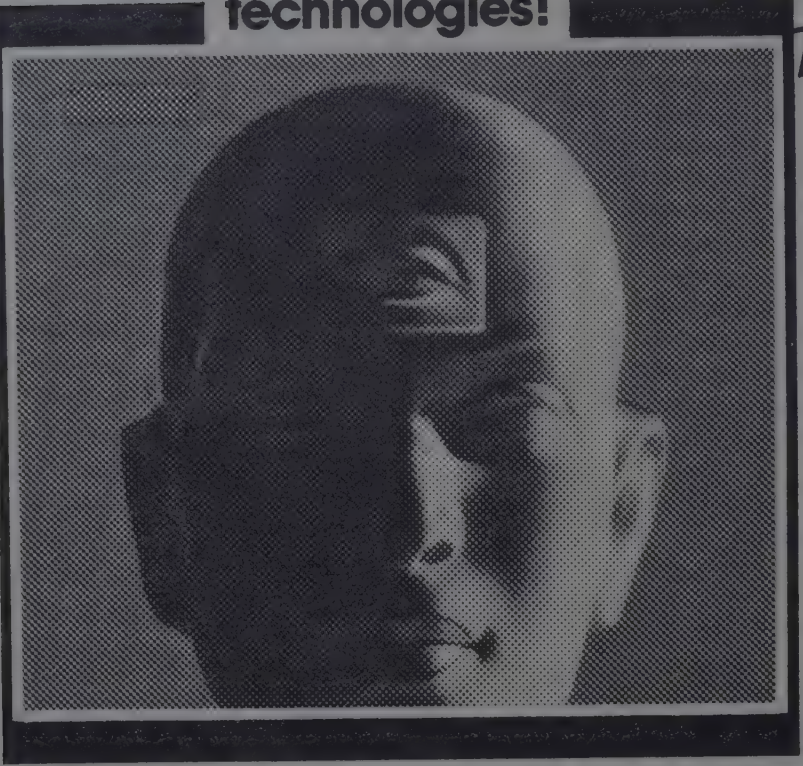

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Counsellor

A vocation of increasing public importance in India is that of the guidance counsellor. One of the remarkable features of contemporary society has been the recognition of the individual psyche. The awareness of psychological and human problems arising from an individual's inability to cope adequately with environmental pressures and those of contemporary living, has created an increasing need for counselling without the family circle.

As a result, guidance counselling today is increasingly being seen as an effective aid for problems which affect the daily life of individuals. In an age of computers, hi-tech and the constant pressure to achieve, counselling—which continually stresses the importance of the individual and of the great need for human communication—has emerged from the back room as an important aid for people to help themselves.

The traditional guidance counsellor was usually a member of the clergy, especially in the Christian and Catholic communities where the welfare of the parishioners was the immediate responsibility of the parish priest. The *maulvi*, the rabbi and, to a lesser extent, the Brahmin priest, were all consulted in problematic situations and looked to for advice. Village societies turned to the headman or *panch* when problems beyond their ken, affecting either the individual or the community, arose.

In urban cities, however, until recently there existed a secretive attitude which required family or individual problems to be treated as a purely family matter and were closely guarded from the knowledge of outsiders. In such an environment. the role of counsellor inevitably devolved upon the family elders. With the increasing recognition of the individual and the acceptance of personal freedom to think and be, related problems of identity and social interaction gave rise to professional counselling and, hence, counselling as a career.

Increased demand. Today, the guidance counsellor's role is becoming increasingly specialised. even in India. Man is an enigma, and the need to understand him and his reactions to different people and situations has increased the demand for counselling services. Counselling has four major areas of specialisation—marriage counselling, which has grown in importance in recent years due to the high percentage of separations and divorces inevitable in modern society; child counselling, dealing with the emotional and psychological problems of children often manifested in their physical behaviour and symptoms such as violence, speech impediments or drug abuse; counselling for drug addicts, again a modern phenomenon on the upswing in India; and industrial counselling, which area has acquired importance with corporate managements' recognition of the need to include the domestic and human well-being of their employees within the ambit of their concern.

Many companies, such as those in the Tata and Hindustan Lever groups, have strong commitments to the welfare of the individuals in their employ and run programmes geared towards better employee understanding and consequently better performance.

An important feature of counselling in India is that of the role of the child guidance counsellor, usually combined with the function of career guidance.

Vital importance. Another area where counselling is of vital importance is in hospitals, sanitariums, remand homes, correction centres and jails. Cancer patients or those with other terminal illnesses also require specialist help. In India however, this is an underdeveloped area with counselling functions being discharged by social workers who are often volunteers with no special training or aptitudes. Within the Indian context, a special need for, and deplorable lack of, counselling also exists at the village level where education has yet to make an impact on age-old social structures which suppress women and give them little voice or recognition. Women-related problems such as dowry, female infanticide, child marriages and forced marriages all require specialised aid by way of counselling.

To be a full-fledged counsellor, a basic degree in psychology is required. Three year courses at the bachelor's level are offered by nearly every Indian university. This may be followed with a master's degree in psychology with counselling, after which there are three types of specialisations available—educational counselling, with emphasis on the school setting and behavioural analyses of students; clinical psychology, already quite popular as a career (particularly with women) which lays emphasis on medical cases; and industrial psychology, which deals with the specifics of the business and industrial environments. The Delhi and Bombay Universities offer the best postgraduate programmes available, with practical work experience as a necessity for qualification.

Apart from these degree courses, diploma courses in vocational guidance and counselling which last between three months to a year are another option. However, such courses are non-specialised and usually limited to one specific method of counselling. They are recommended not for the professional counsellor but for parents, medical staff, teachers, etc., whose roles can be better discharged by some knowledge of counselling. One such course which has proved immensely popular is conducted in Bombay by Father Fuster at St. Xavier's College, Bombay, and is of three months' duration.

People & problems. This profession is best suited to those who have a non-competitive personality and a genuine interest in people and their problems. The qualities of empathy, human warmth, perception, intuition and dedication are of extreme importance in the make-up of a good counsellor. The counsellor's profession is one of those rare careers which is far removed from ambitious and often debilitating competition. It is also a field in which the individual is rarely accorded public or professional recognition.

There is vast scope in the counselling field in India, which is a long way behind the West where qualified counsellors are employed in hospitals, schools, colleges, remand homes, sanitaria, child welfare clinics and other organisations. An increasing number of corporations are also taking on full-time counsellors while also availing of such services as short informative courses for their staff. In addition to these openings, the counsellor can even set up private practice with referrals coming from schools, doctors or other patients.

The counsellor's earning capacity varies a great deal and is often indefinite. Those employed in organisations may be paid by the case, hourly or monthly. Fees range from Rs. 30 per student to Rs. 800-1,500 per month for a regular member of the staff, usually on a part-time basis. However, in private practice charges vary between Rs. 60-100 per hour, with patients usually coming in twice a week. Clinics charge about the same.

The career of a counsellor offers much promise for the future in this country. It is at an exciting stage of development, is winning recognition and is becoming increasingly specialised. For those who find the study of human nature both a fascination and a challenge, counselling offers a career of great satisfaction and achievement.

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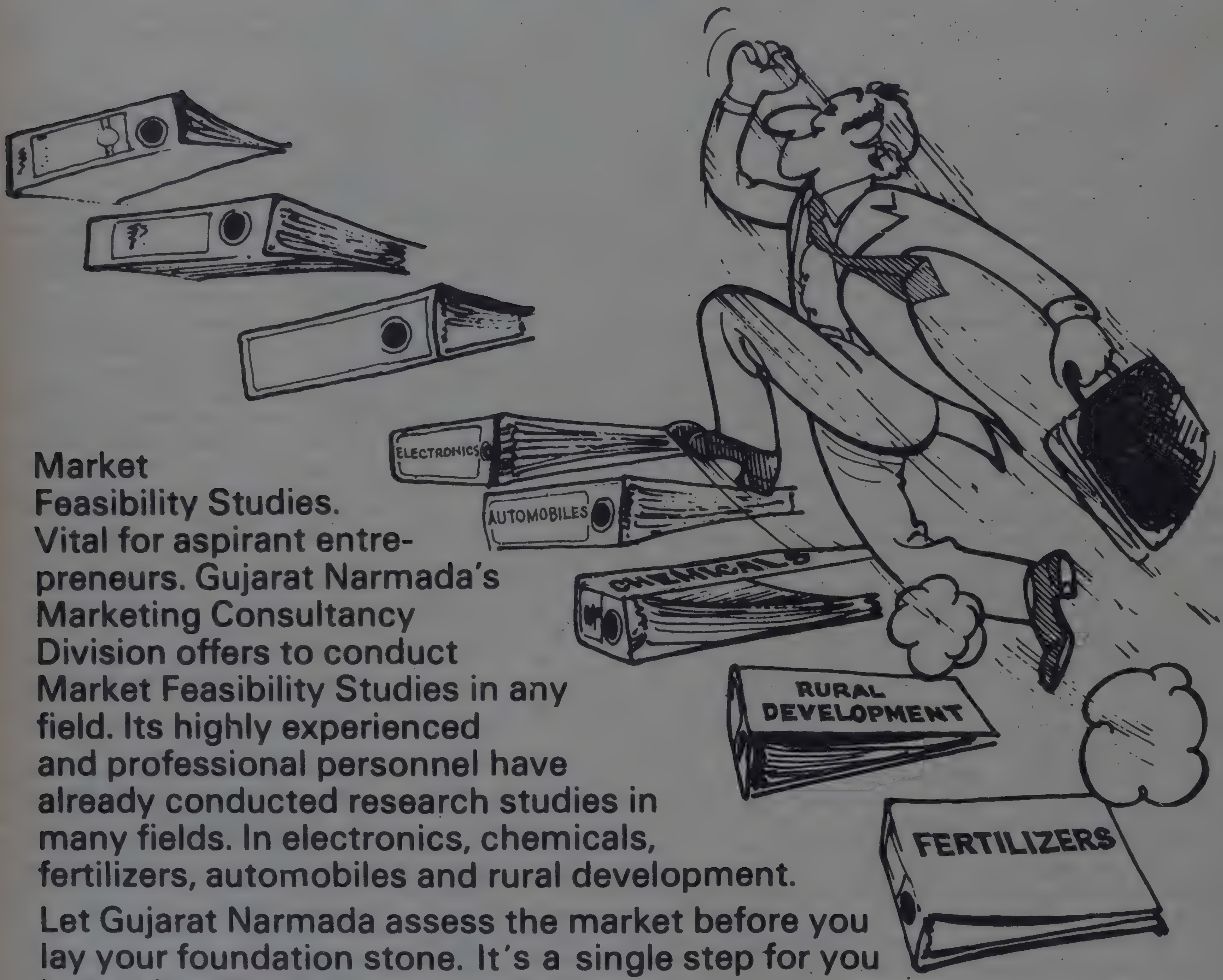

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Counselling pioneer

Vimla Surie (60) is one of the pioneer practitioners in the field of guidance counselling in India. n a career spanning three decades, she as seen the profession grow from a little nown and less understood concept to he widely recognised and increasingly ccepted public service it is today.

In contrast to the modern demand for pecialisation in counselling practice, Surie is fortunate in being extensively nvolved in many different areas of ounselling at various stages of her areer. Her experience ranges from hild guidance to adult and clinical ounselling, transactional analysis, yoga herapy and advising on industrial and ural projects. In addition to her commitments to various organisations, Surie runs her own private practice in amshedpur where she is based.

Born in the small town of Muzzafarbad, in what is now Pakistan occupied Kashmir, Surie spent her childhood in Nepal where her father, a civil engineer, was posted as an employee of he government of India. In those days here were few English medium schools n Nepal and Surie was educated at home together with her sister, till the fourth standard. She was then sent to relatives in Lahore where she finished her schooling and joined the Lahore College for Women—then the only women's college offering instruction in science subjects.

"I had initially wanted to study medicine," says Surie, "but in those times women were rarely given such freedom and my family was not in favour of my studying in the medical college which was co-educational. So I opted for a degree in mathematics instead." After graduation Surie acquired a postgraduate teacher's training degree, equivalent to the contemporary bachelor of education degree.

Further studies. Her marriage soon after resulted in her going overseas to Cleveland, USA. Surie was quick to take advantage of the chance for further studies and enrolled at the University of Maryland where she obtained a master's degree in psychology. Almost five years later, she returned to India and settled down with her husband in the steel town of Jamshedpur.

After a talk on counselling at the local Rotary Club in Jamshedpur, Surie was offered the position of counsellor-cum-teacher at the Church School, Jamshedpur in 1956. Although it was a start to practising as a counsellor she was also expected to teach mathematics. Surie spent two-and-a-half years in this somewhat nebulous position before she joined the well-known Loyola School as counsellor in 1959. She spent 12 years at Loyola and eventually realised her ambition to become a full-time counsellor.

Surie: active and diverse career

Role misunderstood. In spite of the satisfaction that her work provided, Surie often found her role as counsellor misunderstood. She also felt dismayed about the overemphasis on bookish learning which hampered—and continues to hamper—the all round development of children. "My goal was to help parents, teachers and students to realise a child's full potential," recalls Surie, "But while the children were very receptive, adults were often very narrow in their approach and not interested in the total development of their children—only in academic success."

In 1970, Surie left Loyola and took a further course in counselling organised by the Jesuit Education Organisation in Delhi and Simla.

In the same year, a scholarship to the University of California took Surie to the US for a year to study organisational development and behaviour. Recalls Surie: "Whatever route one takes in life contributes to what one eventually achieves. I grew into organisation development and thus into industrial counselling."

On her return to Jamshedpur, Surie explored a new area of counselling. The well-known Xavier's Labour Relations Institute (XLRI) requested her to teach inter-personal relations as an invited faculty member. She began taking classes on a weekend basis. The growing popularity of the programme led XLRI to offer other executive development programmes which were then gaining recognition as effective aids for personnel development.

Surie's stint at Loyola had also acquainted her with many teachers and parents and in response to their demand for personal counselling, Surie set up a private counselling practice at home.

Experiential opportunities. In order to stay abreast of new developments in her chosen field, Surie trained further in transactional analysis at a workshop held in Delhi and in 1977 followed her husband on an assignment to Mexico. Always a person to seize experiential opportunities, Surie taught English to Mexican IBM executives while running a transactional analysis group at her home in Mexico. Her growing interest in transactional analysis led her to take further training with specialists in New York, Philadelphia and California.

The Suries returned to Jamshedpur in 1979 to the pleasant discovery that indigenous awareness of counselling had grown in the meanwhile, and that TISCO already had an active community welfare department the function of which was to help workers. TISCO asked Surie to train their staff for this job since its top management places great emphasis on human resources development and healthy industrial relations. Consequently, Surie created and conducted a 10-week course which has now become a regular feature.

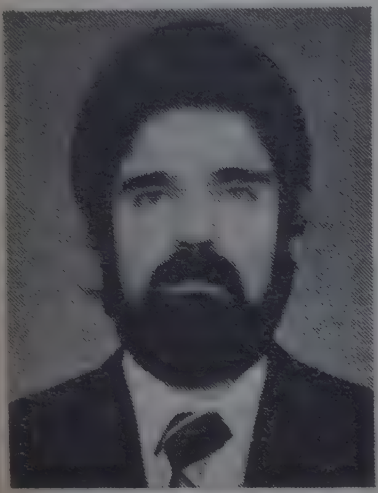
Such mainline counselling apart, to develop her potential and effectiveness, Surie has also undergone a training course in yoga at the Bihar School of Yoga, Monghyr, and often uses yoga therapy to help people sort out their problems. Over the years she has also developed a keen interest in gardening, music, scriptures and languages.

Of her active and diverse career Surie comments, "I have had the opportunity to work in various fields of counselling and I have discovered that doing diverse things gives a better perspective of human needs. One idea led to another but whatever I did, my main thrust has been towards human resources development, whether in schools, other organisations or solving emotional problems. I have always known what I wanted to do—help people realise their potential."

Chandralekha Maitra

Policies in perspective

ASHOK HINGORANI



I travel often, and feel the same each time I see Bombay sprawled below the aircraft. I don't like this city any more, but I love coming home, to India. My last trip was to Dubai, and if there is a Little India anywhere in the world it is there. You never consider the possibility that any of the people you are likely to meet, from manager to bell boy, might speak a strange language, and you are more likely to eat Indian food than you might even in Bombay. Yet, it's not the same, and I often wonder why.

I also wonder why I hear more criticism of India from Indians rather than foreigners, even those with their begging bowl stereotypes intact. And I feel this is a question that should not remain unanswered, because it might light the path to a healthy bit of soul searching.

If there is any one factor that feeds this anti-India feeling among Indians wherever they are, it must be the constant, droning criticism that the government itself nourishes and the press spouts, year after year, no matter who is currently in power. Almost as if it were its ordained role, and that of the self-styled political 'critics.'

Why do we find it difficult to praise our own country, its people and the heroic efforts ordinary people are making every day to keep this delicate fabric together? To actually applaud our businessmen and professionals and honest government officers who have built this country from a ruin far worse than Japan after World War II ?

GREATEST EXCUSE

Or are we just unwilling to look at the positive achievements taking place each day, because that might rob us of the greatest excuse we have today *viz.*,"Everyone is doing it, so I can't make it any worse." Except for Doordarshan, which has started promoting creative people who might otherwise get no exposure, I have yet to see a major daily or even a business journal actively promoting Indian enterprise.

What does all this have to do with computers? Attitudes matter because they often lie at the heart of all policy making. It is vital that the example set by the finance minister be followed across the board. That the Indian taxpayer, whether an individual or a business, would actually prefer to work in an environment of trust, and would contribute more if hassled less.

This is essentially a reversal of the terribly negative image we have built up of ourselves, and the only thing that can work. Just because a small percentage of businessmen will take the opportunity to defraud the government, there are no grounds to damn the whole of industry. Far better to spend available resources on catching the culprits, and actually going as far as penalising them, than maintaining a threatening presence over everyone.

The greatest damage such a policy does is to keep out the true professionals, while leaving the door wide open to crooks. That is what has already happened in the computer industry here, where every small time trader is now in the 'computer business,' and the really bright and straight ones will never see the day they can get a small office and start creating software, maybe even some innovations in hardware. I wonder if Kharmakar could have made his recent discoveries in mathematics, living in some *nukkad* in Bombay.

Frankly, I've been getting pretty critical myself recently and realise that it is a contagious thing; everyone does it, and then there is much to criticise. But there is also much to praise, especially in the policies now being promoted by the prime minister, and so many changes have already taken place which should be publicised.

DEEP IMPACT

If we need to be specific, for one, my recent experience with customs. They still don't move fast, but the direction in which they are moving is undoubtedly correct. The internal changes seem to have made a deep impact, and not only is the actual clearance much smoother, there is also an air of politeness and genuine concern for getting work done.

It's the same with the ITO, at least from what I know from my own limited experience. Or take the various export promotion or inspection agencies: for the first time I am beginning to see an appreciation of the fact that it is the entrepreneur who is important to the future of the country, not the inspecting officer.

I see the same change in the telephone department, and I know that secretaries in Sachivalaya are freer to act according to their professional, not political, judgements. I am impressed by the improvements in Air-India and Indian Airlines, and in the few public sector organisations I deal with.

To an extent, we are experiencing the same phenomenon as the US during the Kennedy era. There is a genuine resurgence of dynamism based on a belief in a better future. But I fear we are at the same time doing our best to undermine it.

What do you expect? Miracles? Well, we've already got some. Despite a mile long queue of septuagenarians, we actually have a head of government who's young enough to share our perspective. To whom the future of children is a growing concern, and therefore education, and the problem of hard drugs, and computers, and all those things that are part of the contemporary world.

GRAVELY DAMAGED

Seems to me like the has-beens among politicians, bureaucrats and intelligentsia are all in the same leaky boat and determined to take us down with them if that's the last thing they do, for the greater glory of the country! This negative approach must be reversed if we are to survive. The computer industry has already been gravely damaged by policies so far that have actually encouraged a degradation of standards in everything from software to training.

Who has persuaded the department of electronics all these years to ban legitimate import of software tools at low prices, and thus created the environment for piracy? And who has benefitted most from this piracy—the chief executive of a Rs. 10 crore company who has saved Rs. 10,000 or the vendors themselves for whom free software has been the marketing edge, and remains so till today?

We need confidence to build the future, not just technology. We need a clear and common sense of purpose, not just a policy. Above all, we urgently need a V.P. Singh in the department of electronics.

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BusinessWorld
August 18—31, 1986

Crude oil self-sufficiency: reality or pipedream?

By SUJOY GUPTA

For the top brass of the nation's 221 Central government-owned or administered public sector enterprises, the times current are indeed parlous. With populist notions of the social responsibility of public sector undertakings — the perennial excuse for poor operational performance — being swept aside for the first time in over three decades, this lacklustre group, in which independent India's citizenry has been forced to invest a mind-boggling sum of Rs. 42,811 crores of its collective savings, is being asked by the Union government to produce results instead of explanations. Gone now — or going fast — is the reassuring flow of subsidies, budgetary grants, price preference concessions and monopoly markets.

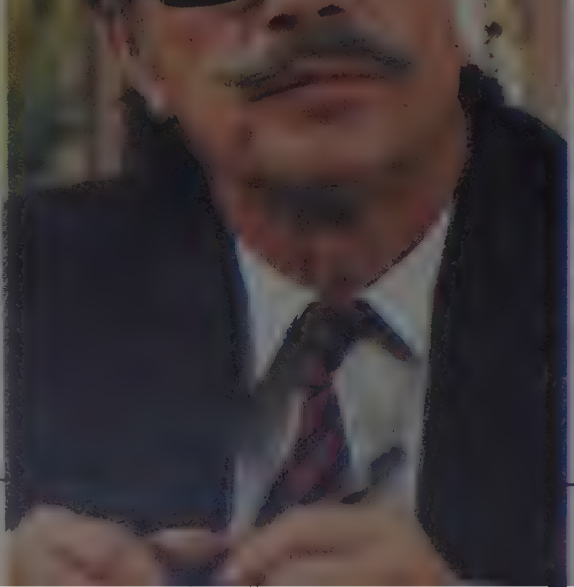
And in a dramatic departure from past practice, the exit door is being firmly shown to chief executives who are perceived to be non-performers. In the last few weeks, among this hapless lot have been A.P. Maheshwary of the Cement Corporation of India Ltd, T.V. Mansukhani of HMT Ltd. and H.S. Cheema of the Gas Authority of India Ltd. (GAIL).

Yet, notwithstanding the vagaries of ministerial moods which determine public sector appointments to a great extent, there are a few individuals who by virtue of their track records cannot possibly be cast ignominiously into the outer darkness. One such is Colonel S.P. Wahi (57), chairman of the Dehra Dun(UP)-headquartered behemoth—the Oil and Natural Gas Commission (ONGC) — mandated in 1959 by Parliament to "stimulate, continue and accelerate efforts to develop and maximise the contribution of the energy sector to the economy of the country."

Since Wahi took charge of the country's largest crude oil exploration and drilling agency in October 1981, India's dependence on imported crude oil has fallen from 70% to 30% in 1986. Not a few economists believe that it is thi breakthrough in crude oil discovery and production which has prevented the collapse of the Indian economy in the wake of the crude oil price explosion of the seventies and/or its slide into Latin American-style indebtedness.

On the eve of the completion of his highly successful five year contractual term in office, Colonel S.P. Wahi, chief executive of ONGC, has drawn up a perspective plan to make India self-sufficient in crude oil production by the year 2005. But does ONGC which will spearhead the plan have the organisational strength to execute it?

Wahi: amazing track record



ONGC's amazing track record of top-of-the-league financial and production efficiency during the past quinquennium, since the surprise appointment of the then unknown Wahi as head of the commission has enabled ONGC to outperform even much older and acknowledgedly efficient public sector companies such as Bharat Heavy Electricals Ltd. (BHEL), Indian Petrochemicals Corporation Ltd. (IPCL) and Neyveli Lignite Corporation Ltd. (NLC) by a long stretch. Not surprisingly, Wahi's stock in government circles is sky high. Comments the Harvard educated G.V. Ramakrishna (56), the Delhi-based secretary in the Union ministry of petroleum and natural gas: "Colonel Wahi is one of the best chief executives in the public sector today." Unusual words of praise from a usually reticent bureaucrat.

Nor can Ramakrishna — who agreed to give *BusinessWorld* an exclusive interview (see box p.57) — be accused of having made a subjective assessment, because ONGC's impressive operational performance statistics speak for themselves. In its latest financial year ended 31st March 1986 ONGC earned a whopping net (post-tax) profit of Rs.1,328.5 crores on operating revenues of Rs.4,224.94 crores. Which is a long way from the net profit of Rs.46.6 crores earned on sales of Rs.451.8 crores in the year ended 31st March 1981 — just before Wahi took charge of the commission.

More significantly, during the five year time span since Wahi has been in the chief executive's office, the collective efforts of ONGC's 43,640 employees have resulted in 40 oil and gas finds which have trebled the commission's crude oil production from 9.2 million tonnes to 27.5 million tonnes while natural gas sales have leapfrogged from 972 to 3,315 million cu. metres.

As a consequence, India now produces 70% of its crude oil requirements whereas a mere five years ago it imported 70%. On the basis of this single amazing statistic, ONGC's contribution during the Wahi regime — now drawing to a close — is well nigh immeasurable. In fiscal 1981-82, POL (petroleum, oil and lubricants) imports valued at Rs.5,185 crores accounted for an overwhelming 89% of India's trade deficit of Rs.5,793 crores. By 1984-85 the value of net POL imports were down to Rs.3,527 crores despite a 25% expansion in effective demand. According to one estimate, ONGC saved the nation the equivalent of Rs.3,733 crores in foreign exchange during the Sixth Plan period.

IMPRESSIVE STATISTICS

While they admit the argument that given the public sector monopoly in crude oil exploration and extraction and given the relatively minuscule size of Oil India Ltd. (sales: Rs.412.27 crores in the year ended 31st March 1985) — the other public sector oil exploration and drilling company — a basis for comparing ONGC's operational peformance doesn't exist, the commission's managers cite some impressive operational efficiency statistics.

According to them productivity indicators covering a wide cross section of parameters indicate a consistently improving all-round performance. Thus rig productivity measured by averaging the number of wells worked annually per rig increased from 4.58 in 1980-81 to 8.98 in 1985-86. Inventory holdings as a percentage of value of equipment fell during the same period from 18.7% to 12.4%. The controllable cost of crude production as a percentage of the total cost (which includes finance costs and statutory charges such as royalty and cess) also fell from 17.4% to 12.7% over the same period while for gas production the controllable cost ratio was held reasonably stable between 16% (1980-81) and 17.2% (1984-85). The intensity of exploratory efforts has also increased. The number of standard line kilometres prospected per party per year upped from 203 to 381 (for onland prospecting) and 7,028 to 12,020 (offshore) during the past quinquennium.

So much for tangible results. Intangibly, while precise figures of India's in-place geological reserves and recoverable reserves of hydrocarbons cannot be published for security reasons, ONGC spokesmen say that due to intensive exploration efforts by the commission the quantum of these black and beautiful assets has burgeoned by 17% and 26% respectively in recent years.

Ramakrishna: words of praise

But despite these remarkable exploration, production and operational efficiency indices, an undercurrent of anxiety is discernible within the corridors of ONGC's head office in Dehra Dun and the commission's focal New Delhi office. Wahi's five year contractual term as chairman and chief executive of India's most profitable and most high profile public sector company is due to end next month. And speculation is running rife as to who is likely to be his successor.

IMMINENT VACANCY

His excellent track record and reputation in high places in government notwithstanding, the chances of Wahi's contract being renewed for another five year term — and it has to be a five year term given the Union government's acceptance of the Sengupta Committee's recommendation on this score — are slim. And there are a number of highly rated heirs-apparent waiting in the wings (of which more later). Also, personal ambitions aside, the imminent vacancy in ONGC has aroused considerable public interest if only because the commission is one of the country's biggest importers of hardware and awarder of contracts. An incumbent of questionable morals and scruples in the office of chairman of the commission could play havoc with ONGC's carefully nurtured track record. And it can be anticipated that politicians with an eye on percentages will soon begin pressing the claims of their favourites if they have not started doing so already.

Meanwhile, Wahi, who is in excellent health and whose reappointment cannot be entirely ruled out, is putting the finishing touches to an ambitious plan which, if it materialises, could well win him a prominent place in the history of not only ONGC but of the nation. Notwithstanding the consistent pooh-poohing of many of his detractors who argue that the oil exploration business is too probabilistic to make long term planning meaningful, Wahi set up a task force of experts in 1982 to draw up a 20 year advance plan "for the first time in the history of the oil industry." The initial exercise was further refined in 1984. The resulting 235 page document — titled *The Revised 20 year Perspective Plan (1985-2005)* outlines the strategy the country should adopt if it is to attain the production of 100 million tonnes of crude oil (and gas as oil equivalent) by the year 2005.

The perspective plan draws up as many as nine alternative scenarios in which prognosticated oil production is made to vary from 50-60 million tonnes with gas (in oil equivalent) production fluctuating correspondingly between 40-50 million tonnes. In the other dimension of the matrix, offshore production is varyingly estimated at between 60%-65% of total production.

The implications of Wahi's plan are momentous and if conceptually feasible, offers the magical prospect of national self-sufficiency in oil production. Detailed analyses conducted by energy specialists in the Planning Commission and the Advisory Board of Energy suggest that the demand for crude oil by 2005 will be between 70-88 million tonnes. By inter-fuel substitution of petroleum products by lean gas, coal and hydel power, the demand can even be contained at the level of 75 million tonnes, opine these experts.

HEADY PROMISE

Yet the critical question on which the success of Wahi's perspective plan — which could radically change the course of the nation's economic history — is dependent on whether ONGC has built up the technical and organisational strengths necessary to deliver the heady promise of self-sufficiency in crude oil by the year 2005. There is no dearth of critics who are not convinced and argue that too much credence ought not to be laid on Wahi's apparently impressive five year track record.

In particular, not a few critics are unimpressed by Wahi's leadership and organisation building skills. They argue that after ONGC's pay dirt oil strike in Bombay High in the mid-seventies during the chairmanship of the technologically proficient N.B. Prasad, the commission's oil and gas production was destined to keep rising through the first half of the eighties regardless of who was in the chairman's office. According to them, Wahi has been lucky to be in the right place at right time.

They also devalue ONGC's high profitability by arguing that the administered price of crude, *viz.* Rs.1,382 per tonne, has been fixed arbitrarily high by the government and that ONGC's huge profits are windfalls which have not been 'earned' in any sense of the term. And not a few monitors of the crude oil exploration industry believe that the prospect of self-sufficiency by 2005 is a pipedream.

PROVEN RECORD

But a pertinent consideration missed out by these doubting Thomases is that Wahi's plans and projections deserve serious consideration because they are made by an individual who has a proven managerial track record as an achiever. An electrical and mechanical engineering graduate of Benaras Hindu University (1949), Wahi began his career in the corps of electrical and mechanical engineers (CEME) of the Indian Army in 1950. Subsequently his first independent stint (1962-68) as a manager of men, materials and money was at the army's tank factory at Avadi near Madras. In 1969, he was deputed to the nascent Bokaro steel plant, where he served as a middle level manager responsible for planning, monitoring and inspection. Wahi was absorbed in the managerial cadre of the Bokaro steel plant in 1972 following his premature retirement from the army with the rank of colonel.

His first big break in industry however came in 1974, when he joined Bharat Heavy Electricals Ltd. (BHEL) as general manager with the mission to set up the foundry forge plant at Hardwar — which he did in record time. Predictably he was awarded an extra stripe shortly thereafter with a promotion to the position of executive director of BHEL supervising the operations of the heavy vehicles electrical equipment plant and the foundry forge plant.

Wahi's second big break in industry came in October 1978, when he was appointed chairman and chief executive of the Cement Corporation of India Ltd. (CCI), then a sick and demoralised company which had just been swamped by a loss of Rs.98 lakhs on a sales turnover of Rs.12.5 crores. In his first part-year in office, Wahi was only marginally successful in cutting CCI's losses to Rs.82 lakhs. But by dint of sheer perseverance in "pushing costs down and productivity up," Wahi managed to nudge CCI back into the black in 1980, when it made a profit of Rs.1.1 crores on sales of Rs.23.2 crores. When Wahi left a year later to join ONGC, CCI was firmly in the black — and incidentally, this was before the government's generous dual pricing policy (dated February 1982) rained a bonanza of profits on the cement industry.

Since then, even as Wahi's management skills matured with experience, so did his talent as a leader and motivator of men. "Colonel Wahi generated a tremendous amount of team spirit. Unusually—for an Indian chief executive—he gave his juniors credit for successes while he always took the blame for failures upon himself. In addition he always encouraged us to take decisions. The face of Indian industry would change had we had a few more chief executives like him," says Arun Dutta (39), assistant branch manager of the Associated Cement Company Ltd.,
Calcutta. A mechanical engineeri
graduate of the Birla Institute of Tec
nology, Mesra, Dutta had twice worke
with Wahi during earlier job stints
the public sector with BHEL (1974-8
and CCI (1980-83).

An ONGC process platform

Inevitably, not everybody in industr
and government shares Dutta's admira
tion for Wahi's leadership an
organisation-building skills. But the
neither have most of his detracto
worked with him. Those who hav
worked closely with him and whos
judgement is unclouded by person
ambition, tend to be impressed. Unio
petroleum secretary Ramakrishn
quoted earlier, gives him full marks fo
focussing the commission's attention o
Bombay High "at the right time, usin
good judgement in picking up the bato
and carrying it forward."

Wahi's ambitious perspective plan

Shortly after he took charge as chairman of ONGC in October 1981, Colonel S.P. Wahi set up a task force to draw up a 20 year oil exploration and exploitation perspective plan aimed at chalking out a blueprint strategy for national self-sufficiency in crude oil production. An initial draft based on Seventh Plan projections was revised in 1985 even as the plan was being finalised, and a new document—*Revised 20 year Perspective Plan (1985-2005)* — was drawn up in December 1984. Although this revised plan is still not the final word — and neither can it be in the game of probabilities which is oil exploration — it has nevertheless set in perspective both the vision and the objectives of ONGC.

The salient feature of the perspective plan is its multi-pronged strategy based on (i) production planning according to continually re-estimated resource base evaluations; (ii) basing of production targets on demand projection and industrial infrastructure growth; (iii) optimisation of exploratory efforts; and (iv) achieving better oil recovery. The plan has been prepared in such a way that the ratio of oil production to the balance of recoverable oil reserves is maintained at about 1:15.

In overall terms, oil plus gas production targets have been set at 50.5 million tonnes in 1989-90, 72 million tonnes in 1994-95, 86 million tonnes in 1999-2000 and finally 100 million tonnes in 2004-2005. These production targets have been set keeping in view a prognosticated rise in the rate of oil production from the present level of 27 million tonnes to at least double, with the balance coming from gas production.

Projected norms. The important exploratory and development parameters such as prognosticated reserves, exploratory discovery index (EDI), ratio

Explains Wahi: "I introduced a change in the exploration strategy of ONGC by concentrating on the intensification of exploration efforts in the producing basins." This strategy which has attracted not a little criticism by those worried about the paucity of strikes in new oil fields has nonetheless enabled ONGC's exploratory discovery index (defined as the number of barrels of crude oil in geological reserves established per metre of subterranean exploratory drilling) during the Sixth Plan period to average at the record figure of 2,930 barrels per metre. According to this index ONGC s performance is way above and beyond that of other nations such at Nigeria (207 b/m), Mexico (167), Norway (62), the United Kingdom (31) and Canada (17) — a fact of which Wahi is legitimately proud.

SHARP INCREASE

Another feat has been that ONGC has clocked a success ratio (i.e. the proportion of oil or gas-rich wells to dud ones) of 1:3 as compared to the international average of 1:5. Productivity gains such as these — which flow from area intensive thrusts in exploration masterminded by Wahi — rather than good luck or capitalisation of already created opportunities, underpin the sharp increase in ONGC's oil and gas production under his leadership.

Vis-a-vis the oft trotted out argument of cynics that the commission's impressive sales and profits are to a greater extent attributable to the Union government's high administered prices rather than ONGC's efficiency, the rejoinder of G.C. Raghubir (58), member (finance) of the commission is that "except until very recently this price has always been far below international price levels." According to Raghubir who — as befits a member of the Indian Audit and Accounts Service (IAAS batch of 1952) — has all the figures at his fingertips, the pegging of the administered price at Rs.1,382 per tonne (inclusive of cess and royalty) meant that ONGC received till lately a price which was a full 41% lower than the benchmark OPEC price of $ 29 per barrel (or Rs.2,351 per tonne).

As Raghubir explains, the per tonne prices payable to the indigenous oil exploration and drilling companies is determined by an oil pricing committee appointed by the Central government from time to time. As per this committee's recommendation, the administered price of domestic crude has been pegged to an "import parity price" defined as the cost of landing one tonne of 34° API (American Petroleum Institute) specification's light Arabian crude at Calcutta port.

Raghubir: cost consciousness

To the chagrin of India's two domestic crude producers (ONGC and OIL), this so-called parity price has seldom matched actual international prices. Comments Raghubir ruefully: "Crude is perhaps the only commodity for which domestic prices have been consistently below international price levels. If ONGC's profitability level has been high, it is in spite of and not because of the administered crude price."

In Raghubir's considered opinion, several factors in addition to "an appropriate exploration and exploitation strategy" have enabled ONGC to notch up an enviable return on equity of 28.3% and a net return on capital employed of 22.5% in 1985. Foremost amongst these is a cost consciousness which pervades the organisation. "Each well — and 289 are being drilled during the current financial year — is a cost centre in which costs are identified and overruns analysed. At each project and drill site, cost-to-date figures are displayed prominently," he says. Exercising strict budgetary controls is another top priority. "At the same time, it is made clear that savings must be made by pruning costs and not by lagging behind in pruning physical targets," adds Raghubir.

REAL STRENGTH

According to Raghubir, an oil prospecting company's "real strength" is its identified hydrocarbon reserves. In the case of ONGC, the value of such reserves as on 31st March 1985, adjusted for cost of recovery, was a staggering Rs. 4,087 crores. "This sum reflects reserve net assets of the commission in addition to

between oil and gas in the resources, average depth of wells, etc., as well as the projected norms of some important exploratory and development activities (e.g. cycle speed for exploratory and development drilling) have been set out in great detail. Each potentially oil bearing basin has been analysed in terms of prospecting locations.

Nonetheless a point to remember is that even if oil is struck, its commercially viable recovery is still fraught with uncertainty. In Wahi's scheme, the lag times between seismic survey and the commencement of development drilling and commencement of production have been taken as two and three years respectively. The expenses are estimated at between Rs.58,000-60,000 crores,most of which will be internally generated.

In the first draft of the perspective plan (1983), only one strategy was adopted. This stipulated a maximum rate of oil production of 56 million tonnes plus 44 million tonnes of gas as oil equivalent to be attained by 2005. In the revised plan, as many as nine strategies have been evolved around the three variables of oil production. Since the quantum of future discoveries is uncertain and cannot be predicted, this will give ONGC planners greater flexibility to adjust exploration and development efforts and expenses in tune with actual achievements.

Finally, these nine alternative strategies have been analysed in the light of a wide range of alternative scenarios. One way of visualising the latter has been to vary strategic parameters such as (a) percentage of demand satisfaction; (b) ratio of contribution from onshore-offshore areas; and (c) ratio of contribution from low, high and medium yield basins. A detailed analysis and comparison of the resultant data has been done in terms of build-up of seismic survey, exploratory drilling, return on investment, additional geological reserves established and revenue from oil and gas sales. In short, a comprehensive action plan is now available on tap.

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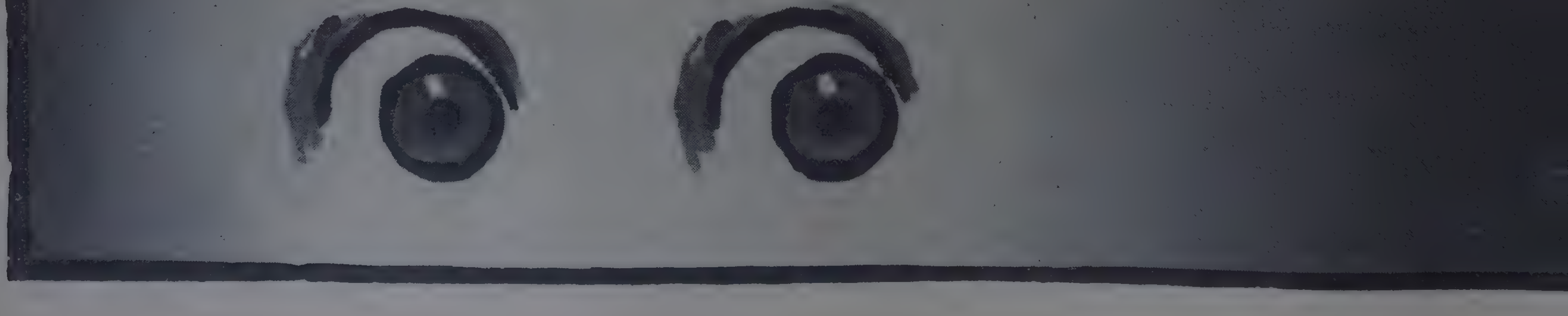

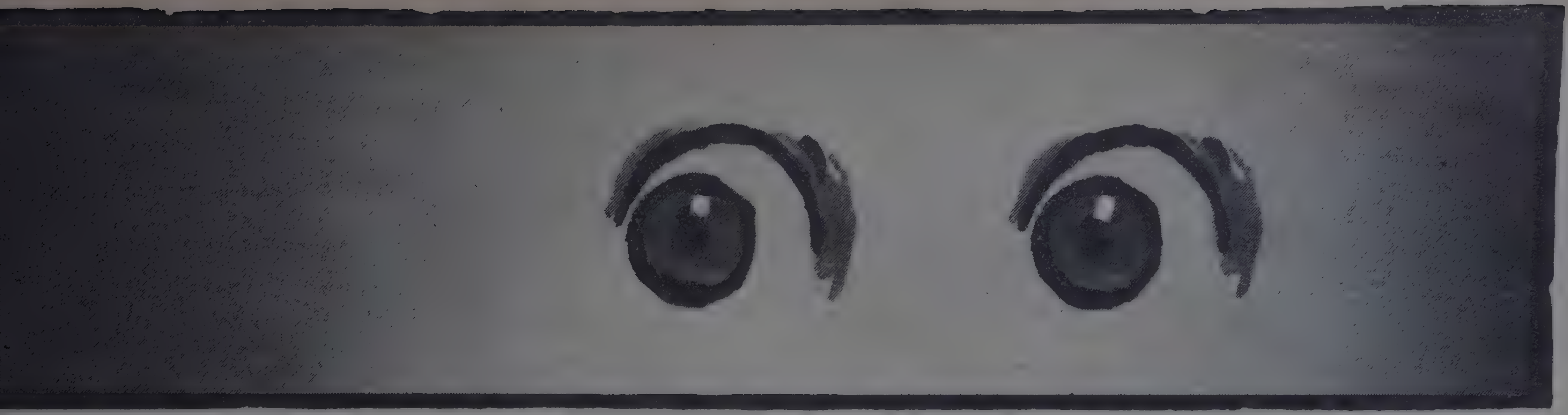

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c) Cumulative Anticipatory Repayment Scheme (for planned cash in-flow and tax planning).
Repayment in five annual instalments. Receive an interest along with proportionate principal amount:
Rs 4,122/- at the end of the fifth year;
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Rs 6,005/- at the end of the seventh year (including a premium of 5%);
Rs 6,361/- at the end of the eighth year and Rs 7,351/- at the end of the ninth year ... for every Rs 10,000/- invested.
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  An opportunity to invest on a preferential basis in the Equity Issues of new ventures to be promoted by the Company, subject to necessary approvals.

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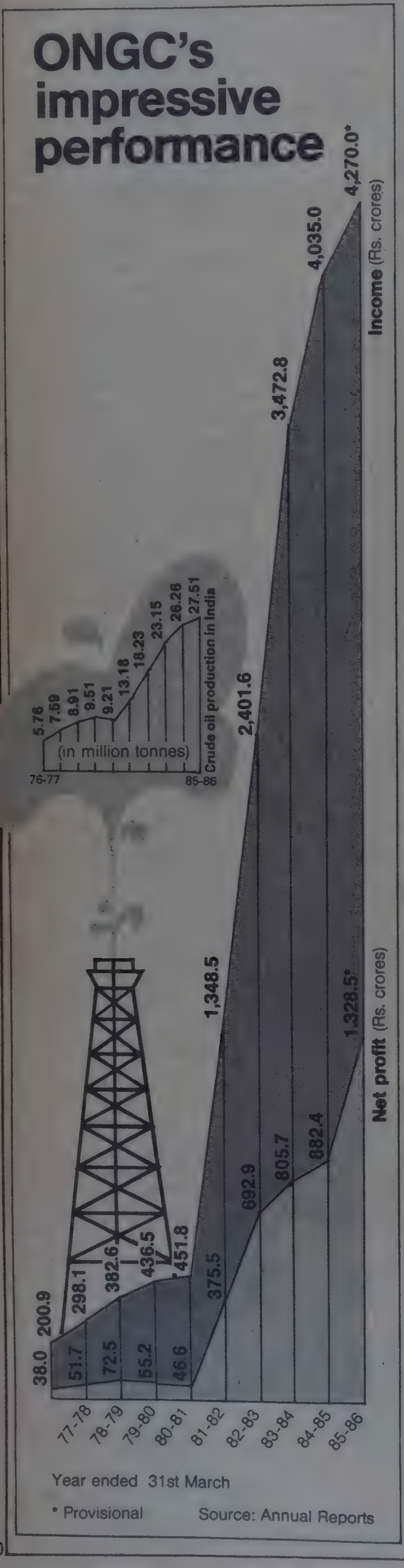


ONGC's impressive performance

Year ended 31st March

* Provisional Source: Annual Reports

and beyond our net worth of Rs.4,395 crores as expressed in the balance sheet," explains Raghubir. Given that ONGC's debt:equity ratio is only 0.67:1 (*cf.* 0.98:1 in 1981 and 1982) it is hardly surprising that this wholly government-owned institution boasts an "excellent creditworthiness rating in the international money markets," as Raghubir puts it.

Admittedly, controlling operational costs is a difficult exercise in an essentially hit or miss line of business, especially because ONGC's 3,694 drilling staff are located at sites which straddle the entire geographical spectrum covering the high seas, estuaries, deserts, forests, mountains and the plains. Even so, the 'cycle speed' (number of metres drilled per rig) rose from 475 per rig month in 1980-81 to 697 per rig month in 1985-86.

"During the past five years, the number of our drilling rigs has more than doubled from 41 to 85 currently and so have the number of wells completed," says member (drilling) L.L. Bhandari (51), a postgraduate in geology of Udaipur University who joined ONGC as an apprentice when it was incorporated in 1956 and who has patiently climbed the commission's ladder rung by rung to reach board level in October 1984. "Owing to lower manpower costs, our drilling cost per metre is less than the international average," he maintains, adding: "This year, we have saved Rs.90 crores in capital expenditure by pressing into service 13 old rigs which were lying unutilised and a further Rs.29.6 crores in working capital by improving the efficiency of rig transportation."

Bhandari: lower drilling costs

Though he scarcely betrays it, Bhandari is operating under considerable tension which is characteristic of the uncouth manner in which the *netas* and *babus* — their loud declamations on the value of human resources notwithstanding — treat public sector managers. Bhandari's contractual two year term as wholetime member (of the board) of ONGC is due to end on 31st October. Thus far, there has been no intimation from government whether his contract will be renewed. Meanwhile, the high-flying Bhandari has been holding dual charge as member (operations) as well ever since the previous incumbent Dr. Anil Malhotra resigned in October last year to join the World Bank in Washington as a reservoir analyst.

CLIMATE OF UNCERTAINTY

Unfortunately, this kind of artificially created climate of uncertainty is endemic to ONGC if not to the public sector as a whole, due to the inordinate time taken by the administering ministry to select and appoint members. Apart from the vacant post of member (operations) — which has now been redesignated as member (natural gas) — the position of member (personnel) has also been vacant since the last incumbent retired in May. To top it all, Wahi's own five year term ends on 1st October. So far, there has been no news whether Wahi will be allowed to continue at least till he reaches the age of superannuation (*viz.* 58) in November 1987 or whether he should begin packing his bags.

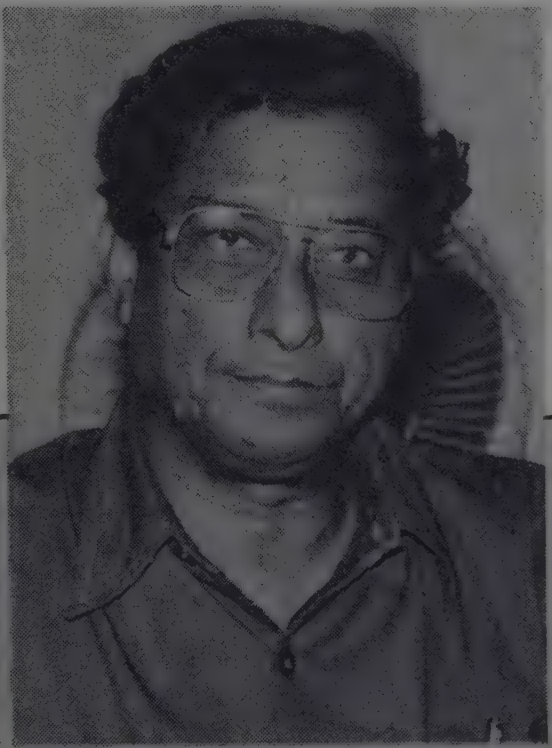
Oil industry monitors agree that such uncertainty at the top is probably the biggest bugbear threatening the stability of ONGC's — and India's — march towards self-sufficiency in oil. Apart from Bhandari and Wahi whose terms are drawing to an end, member (exploration) S.N. Talukdar (58) retires this December, while member (finance) Raghubir, calls it a day next March. The only other wholetime member, Vice Admiral B.R. Chowdhury (57), has the longest stint left with his term due to end on 2nd July 1987.

Thus unless the ministry of petroleum and natural gas urgently addresses itself to this problem, the ONGC board could in the near future consist of entirely new members. Should this be allowed to happen, the resulting abrupt discontinuity could sabotage the implementation of Wahi's perspective plan which suggests ways and means to attain the ambitious target of crude oil self-sufficiency by the year 2005. The only silver lining is that interviews have recently been conducted by the Union Public Services Commission to choose appointees for the two vacant

BusinessWorld
August 18—31, 1986

positions as well as a successor to Talukdar. The decision of the commission though, is still awaited.

As Vice Admiral Chowdhury, a British trained marine engineer who joined ONGC as member (technical) in April 1984 after a distinguished 35 year career in the navy, points out: "Our main worry is to ensure the training, development and all round exposure of the corporate cadre which will have to implement the perspective plan. The retirement process of the solidly competent lot of geologists and others who joined ONGC during 1956-60 in its early days has already begun."



> **"The retirement process of the solidly competent lot of geologists and others who joined ONGC during 1955-60 in its early days has already begun"**
>
> B.R. CHOWDHURY

This talent paucity cloud hovering over the commission is clearly identified in a confidential SWOT (strengths, weaknesses, opportunities, threats) analysis commissioned by Wahi in early 1982 shortly after he took charge. The study identified a major weakness as the "inadequate matching of men to requirements particularly at the middle and higher levels."

"A special focus on training and development was promptly ordained," recounts Chowdhury. "A Management Development Institute for executives costing Rs.3.6 crores was set up at Dehra Dun, and three staff training institutes for technicians and supervisors were founded at Cambay, Sibsagar and Bombay. Last year, as many as 5,427 officers and 9,229 technicians and supervisors attended specialist courses. We want everyone in ONGC to perceive his own growth with the growth of the organisation," he adds.

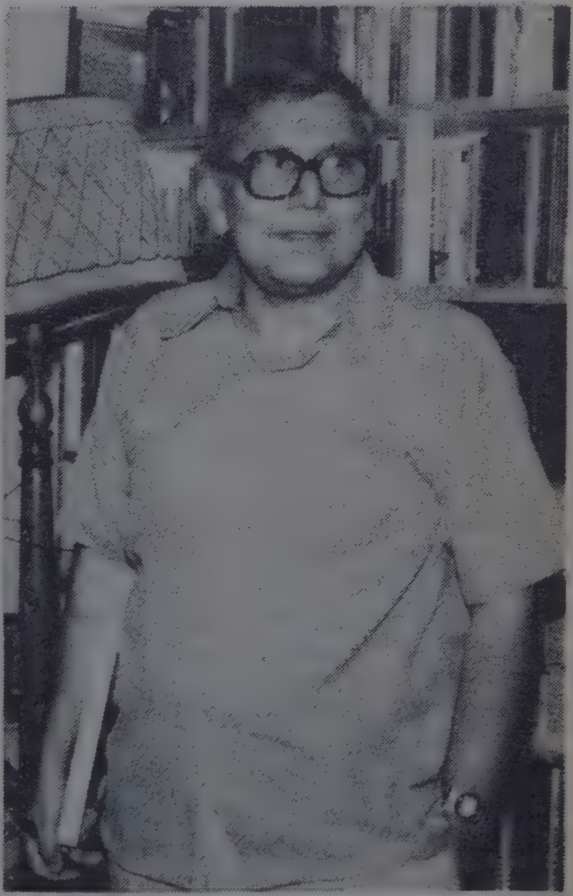
With this objective in view, ONGC's internal structure was comprehensively reorganised in July 1984 following the SWOT analysis. The original structure was based on territorial demarcations. On and offshore operations were thus under separate charges and headquartered at Dehra Dun and Bombay respectively. As a result, offshore work in the Bay of Bengal, and the Andamans, for instance was supervised from Bombay, while far-flung onland prospecting operations were controlled centrally from Dehra Dun.

The reorganisation was based on the common basins approach ("hydrocarbon bearing basins sit equally below on and offshore areas, after all") and the business group concept. Consequently the responsibility for the gamut of exploration, development, drilling, technical services, human resources development, finance, etc. has been divided between six members, each of whom wields power on an all-India basis.

RESOURCE BASE

"The reorganisation of ONGC was really done to serve its medium to long term future needs, since I realised early enough that the old structure was not at all geared to meeting current requirements let alone future challenges," says Wahi. "Now, decision-making is quicker and both authority and accountability down the line are properly delineated. Today, the members are assisted by six regional directors who form an apex executive team just below the top tier. This team is in turn aided by 10 group general managers, 34 general managers and 103 deputy general managers. This highly trained force is the resource base from which will emerge the future leaders of ONGC," he adds.

Certainly, the stakes are too high to risk slap-dash or sub-optimal planning to ensure a smooth succession based on merit in ONGC. According to the carefully chalked out perspective plan, the aim of which is nothing less than self-sufficiency in crude oil production by 2005, the overwhelmingly major share of the huge outlays to the order of Rs.16,000-18,000 crores (Eighth Plan 1990-95); Rs.18,000-22,000 crores (Ninth Plan, 1995-2000); and Rs.22,000-27,000 crores (Tenth Plan, 2000-2005) will be mainly funded by the generation of internal resources.



Talukdar: two objectives

The deployment of these massive resources will require a top calibre management team for clearly, the attainment of national self-sufficiency in crude oil production is critically dependent upon the organisational strength of ONGC. Fortunately there is a considerable body of evidence which indicates that the foundations of a strong and integrated organisation which is technologically updated have been laid.

SPECIAL FOCUS

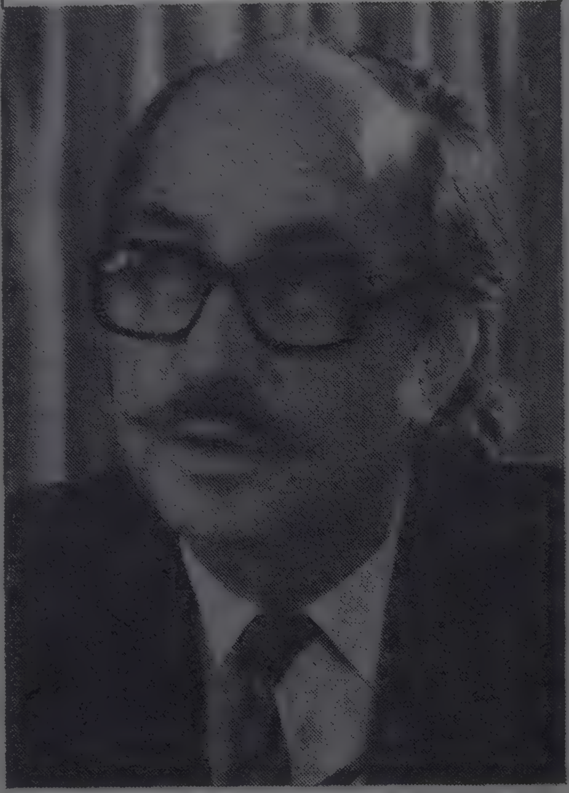
Its foremost strength is that far from being a ponderous bureaucracy, ONGC is a fast paced technology oriented company entirely unlike the majority of passive enterprises which characterise the public sector. To ensure a special focus on the absorption of high technology, a growing number of low and medium technology areas (e.g. transport and shot-hole drilling respectively) are being farmed out to ancillaries including unique cooperatives promoted by ONGC's retired employees. "While self-sufficiency in oil by 2005 is our number one objective, close on its heels is objective number two: self-reliance in technology," says member (exploration) S.N. Talukdar (58), an alumnus of Presidency College, Calcutta and Cambridge University who is a geologist and like Bhandari, has been with ONGC since its incorporation in 1956.

Another strength which differentiates ONGC from the run-of-the-mill *babu*-dominated government company is that its decision making processes are

"Look at our productivity, efficiency, growth"

The denizens of the picturesque town of Dehra Dun proudly refer to it as the "oil capital of India." This is because the Oil and Natural Gas Commission (ONGC), the prime national agency engaged in the exploration and extraction of India's hydrocarbon reserves, is based there. The sprawling head office complex, a former maharaja's resort, is appropriately enough called Tel Bhavan. In its 30 years of existence, ONGC's annual oil production has increased from 0.4 million tonnes to 27.5 million tonnes. As a result, India is now self-sufficient in oil to the extent of 70% of its domestic needs — no mean achievement.

Presiding over ONGC's destinies since October 1981 is Colonel S.P. Wahi (57), a successful manager with a proven track record in the public sector. In keeping with his belief of the efficacy of "management by wandering," Wahi is rarely to be found in ONGC's headquarters; he tours ONGC's far-flung drill sites for over three weeks each month. However, Sujoy Gupta buttonholed Wahi in Dehra Dun recently and spoke to him in his spacious office in the Tel Bhavan complex. The interview continued on board ONGC's six-seater executive aircraft en route to New Delhi. Excerpts:



■ What are ONGC's corporate objectives as you see them?
To spearhead India's drive towards self-sufficiency in oil and self-reliance in oil exploring and drilling technology. Equally importantly, to assist in conservation of oil and in developing alternate sources of energy. Our objective is also to promote more efficient use of energy and to contribute to the indigenous effort in the development of oil-related materials and services.

■ Within the framework of these objectives, what specific goals did you set for yourself when you took on this job in October 1981?
One of the first things I did was to carry out a SWOT (strengths, weaknesses, opportunities, threats) analysis. Its findings led me to two specific conclusions. One, that ONGC had the potential to become a pace-setter and a model commercial organisation in the public sector. Two, it had the potential for phenomenal growth. Since then, I've been trying to ensure that we do not waste its potential. You have the facts and figures telling you of our performance.

■ But the first bit is not reflected in "facts and figures," being subjective. Can you prove that ONGC is indeed a pace-setter?
It is a question of priorities. Our priority is to get things moving, not to be discouraged easily and not to accept excuses explained on paper. In ONGC we like to anticipate problems and preempt them, rather than allow grievances to worsen into agitations. I think we can be justifiably proud of not having lost a single man-day due to employee unrest during the last five years. Also, I believe we are performing our duty to the nation by throwing up new ideas and initiatives such as our proposal for a national gas grid and our five year plan on environmental management. Today, instead of the initiative in the hydrocarbons sector being with the government, it's ONGC which advises the government what ought to be done. Of course, we are not perfect. But we are certainly on the road to perfection.

■ Do you think that your unconventional approach has worked?
Look at our productivity, efficiency growth. Can you tell me a single instance of a company which has an equal record of growth with stability?

■ But to an observer, it seems there ar chinks in the armour. For instance, th entire ONGC board is due to retire durin the course of 1986-87. Surely this indicates a lack of succession planning?

On the contrary, ONGC has taken positive and deliberate measures for succession planning. In 1981, there were onl six general managers — a very smal base. Today we have six regional directors, 10 group general managers and 3 general managers. They are al groomed to shoulder higher responsibilities. As far as possible, it is our polic that internal candidates be encourage to aspire for and reach the top. Certainly, succession planning is not one of ou weaknesses.

■ Well then, what are?
'Weakness' is a negative word. I' rather say that we have in mind certai areas for further thrust. Let me lis some of them. We would like to furthe divest ourselves of low-tech jobs an associated low-tech manpower. We want quicker technology upgradation more extensive training and development, a better quality of life for ou people. We would like to further regroup ourselves to create smaller profi centres, thus helping us to control costs and focus on efficiency.

■ And in your view, what are your organisational strengths?
Several. An aggressive commercial culture in which achieving results is all-important. A good hydrocarbon resources base. A strongly motivated workforce whose morale is high, based as it is on good past performance. A very strong financial position. Do you know, we enjoy no budgetary support from government?

■ Talking of money, what does the slashing of ONGC's Seventh Plan allocation from Rs.17,700 crores to Rs.8,752 crores mean to you?
If you take the final plan outlay at its revised figure of Rs.12,000 crores, I'd say there has really been no slashing of our allocation. Our physical targets have been retained. The Planning Commission has assured us that funds will be made available on a year-to-year basis to meet our needs. Although the plan allocation figure for ONGC was formally announced as Rs.8,752 crores, I expect that the overall outlay will be about Rs.12,000 crores after all. So there's no problem.

■ To change the topic, why are you so keenly advocating the holding company concept?
In the present system, power rests with government while accountability vests with public sector managers. This is an excellent example of back seat driving. If you analyse the situation, you will find that the government departments are really nothing but holding companies. The big difference is that they have neither the expertise to play this role nor are they accountable to anybody for quantifiable results.

> **'The Planning Commission has assured us that funds will be made available on a year-to-year basis to meet our needs. Although the plan allocation figure for ONGC was formally announced as Rs.8,752 crores, I expect that the overall outlay will be about Rs.12,000 crores after all'**

In the oil sector, all the existing companies should be brought under the umbrella of a holding company which will plan, coordinate and direct the operations of its subsidiaries and be accountable for results. This would ensure the rapid, coordinated growth of this sector.

■ Coming back to ONGC, can you tell us about some of the oil finds made during your term?
There have been about 40 oil and gas finds. The one at Gandhar discovered in March 1984, 80 km south-west of Baroda, is emerging as one of the most prominent discoveries after Bombay High. So far eight wells have been drilled and all have been found to be hydrocarbon-rich.. We have already established proven reserves there of about 100 million tonnes of oil and oil equivalent resources. I'm sure we'll establish more. By present reckoning, I'd venture to say that Gandhar has a potential of delivering 2 million tonnes of oil per year.

■ Seeing that we are about to land, let me ask you quickly: what advice would you give your successor?
I can only share my experience and my vision, but I will certainly not render any advice.

faster. This is perhaps because communications is a top priority with the top management of the commission. As a consequence, dedicated hotlines covering 23,100 km coupled with 1,502 very high frequency (VHF) wireless sets already connect headquarters, regional offices and drill sites which work six days a week — the Rajiv Gandhi administration's generous dispensation of a five day week notwithstanding. In addition, an elaborate satellite communication system is currently under installation which will guarantee instant contact between headquarters in Dehra Dun and even the most far-flung rig on land or sea.

Computerisation of operations is another major priority. An entirely computer-based management information system (MIS) has been introduced and project planning, project appraisal and control are all done by computer. "We are busy implementing a policy decision taken earlier to bring in computers for every business application," says Wahi.

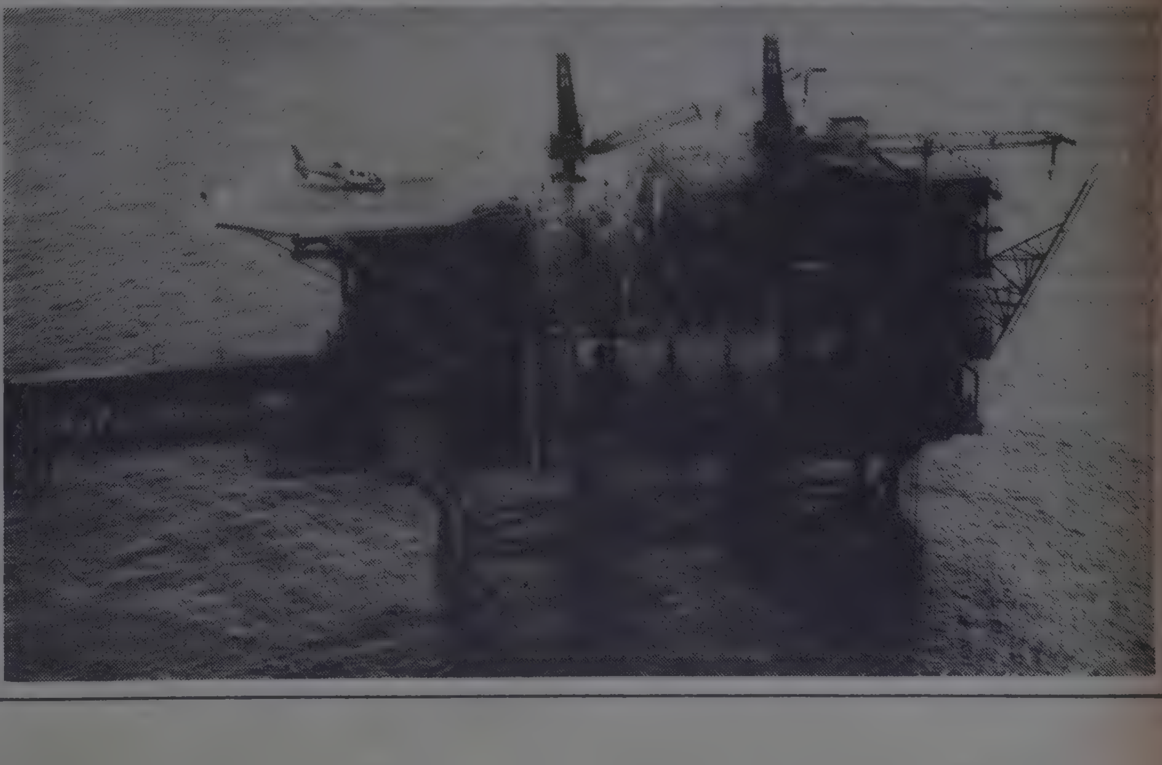
UNBUREAUCRATIC MECHANISMS

And neither are ONGC's strengths restricted to hi-tech hardware such as satellites and computers. Wahi has also introduced two decidedly unbureaucratic trouble-shooting mechanisms which have proved to be the organisation's invaluable assets. One is the task force concept, according to which a specialised task force of experts is constituted and assigned a deadline to go into the details of any specific problem ("this is in addition to their normal work") and come up with alternative solutions for implementation. Their recommendations are then quickly vetted by the executive committee consisting of Wahi and the wholetime members of the commission and instructions are issued. So far, such task forces have been constituted on 38 occasions. "The concept has paid us rich dividends in improving efficiency," claims Wahi.

His other innovation is the concept of "management by wandering." "We encourage those responsible for decision-making to move out of their offices and interact with our men on sites. Senior managers are encouraged to tour forward areas and hold meetings right there on the spot instead of asking people to come over to regional or head offices. Management by wandering keeps our senior officers on their toes, eliminates window dressing and also ensures support for headquarters from the field — since confidence is a two-way process." Wahi himself travels extensively — and erratically — from one site to another, always at short or no notice, as do the members.

The consequence of this active style of management is that the work culture in ONGC does not even remotely resemble that of the typically bureaucratic government organisation. "Our priority is to keep things moving; not to be discouraged easily and not to accept excuses explained on paper. In ONGC we like to anticipate problems and preempt them, rather than allow grievances to worsen into agitations. I think we can be justifiably proud of not having lost a single man-day due to employee unrest during the last five years. Also, I believe we are performing our duty by throwing up new ideas and initiatives such as our proposal for a national gas grid and our five year plan on environmental management. Today, instead of the initiative in the hydrocarbons sector being with the government,

Close up of a BHN process control platform complex in north Bombay High



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“Colonel Wahi is one of the best chief executives in the public sector”

Public words of praise emanating from top-drawer bureaucrats are indeed rare. But G.V. Ramakrishna, IAS (56), secretary to the government of India in the department of petroleum and natural gas — and therefore Oil and Natural Gas Commission (ONGC) chairman Colonel S.P. Wahi's boss — had not a few of these on ONGC and Wahi when he agreed to speak for the record to BusinessWorld. *A chemistry graduate of Bangalore University who went on to study public administration at Harvard, Ramakrishna (IAS batch of 1952) is one of the senior-most officers in the Union government.*

Sujoy Gupta interviewed Ramakrishna at the latter's spacious office in New Delhi recently. Excerpts:

- **How pleased are you with ONGC's operational performance?**

Indeed, ONGC has done very well. During the Sixth Plan period, its performance in Bombay High in particular has been remarkable. By successfully stepping up oil production, ONGC has saved the country a great deal of foreign exchange. In 1980, the country imported 70% of its oil needs. Today, the position is that we are self-sufficient to the extent of 70%.

> **“In the present situation, I don't agree that a large holding company in oil is a desirable thing. The more monolithic one becomes, the more diffuse becomes the accountability at field level”**

- **In your opinion, to what extent has Colonel Wahi contributed to this achievement?**

Colonel Wahi is one of the best chief executives in the public sector today. In shaping the vast organisation that is ONGC, he has contributed in several directions. One, he concentrated on Bombay High at the right time, using good judgement in picking up the baton and carrying it forward. Two, he has contributed to the building of training and research institutions in ONGC. This will put it on a sound footing for the future. Then again, Colonel Wahi has been able to project Indian capabilities abroad, particularly our technical skills. Thanks to him, India's image abroad is that of a country which has acquired considerable indigenous capabilities in the oil exploration and drilling business.

- **Now that ONGC is doing quite well, in which direction would you like to see it move?**

Further towards decentralised autonomy. One should guard against a strong leader becoming a banyan tree, even inadvertently. Perhaps something more can be done to build up self-confidence among the personnel in the field by giving them greater authority, autonomy and making them accountable for results.

- **Do you agree with the view that a holding company ought to be set up to oversee the operations of the 14 large and small public sector organisations run by this ministry?**

In the present situation, I don't agree that a large holding company in oil is a desirable thing. The more monolithic one becomes, the more diffuse becomes the accountability at field level. As I've already said, the need in ONGC is to strengthen its regional centres. Once it has strong oil producing regions with viable production bases, it can conceivably mould itself into an apex company.

- **Finally, why is the government keeping in limbo the appointment of members in ONGC? Wahi himself is due to retire on 1st October, another finishes his initial two year term in the same month, while yet another member retires in December. Besides, two posts are vacant. Why this inordinate delay?**

It is incorrect to say that there has been an inordinate delay in filling up vacancies in ONGC. A new member (personnel) has already been selected and his appointment will be announced soon. Also, we are in the process of selecting a member (natural gas) as well as a successor to the member (exploration) who retires at the end of this year. In fact you will find the successors moving very smoothly into position in the coming months.

> **‘The adventurist school predicts that ONGC's dark horse Dr. Anil Malhotra (below) who abruptly resigned last year will succeed Wahi when the time comes’**

it's ONGC which advises the government on what ought to be done,” says Wahi.

Impressive as these organisational strengths are, the country's premier oil exploration and drilling agency also has its weaknesses. An obvious one is the largeness of Wahi's presence within the commission which has irked not a few individuals within and without the ONGC. He undoubtedly bestrides the ONGC stage like the proverbial colossus, often casting a shadow on the proven competence of some of his colleagues. With a natural successor conspicuously absent after the abrupt decision of former member (exploration) Anil Malhotra to sign on with the World Bank, there is a distinct possibility of an interregnum during which ONGC could lose its momentum. In particular, technology choices and upgradation — a continuous process — could suffer a setback.

FEWER POWERS

In addition, a curious limitation which inhibits ONGC's freedom of action is that as a commission created by the ONGC Act, 1959, rather than as an

ONGC's premier position in the public sector *(1984-85)*

(Rs. crores)

Capital			Sales			Profitability		
Rank	**Name**	**Capital employed**	**Rank**	**Name**	**Net sales**	**Rank**	**Name**	**N pro**
1	**Oil & Natural Gas Commission**	**8,498**	1	Indian Oil Corporation	9,792	1	**Oil & Natural Gas Commission**	**882**
2	Steel Authority of India	7,941	2	Food Corporation of India	4,700	2	Oil India Ltd	89
3	Food Corporation of India	5,719	3	Steel Authority of India	3,569	3	National Thermal Power Corporation	87
4	Coal India	5,074	**4**	**Oil & Natural Gas Commission**	**3,266**	4	Indian Oil Corporation	83
5	National Thermal Power Corporation	3,332	5	State Trading Corporation	2,856	5	Bharat Heavy Electricals	73
6	Indian Oil Corporation	3,000	6	Minerals & Metals Trading Corporation	2,775	6	Neyveli Lignite Corporation	57
7	Bharat Heavy Electricals	2,398	7	Hindustan Petroleum Corporation	2,273	7	Indian Airlines	52
8	Central Coalfields	1,682	8	Bharat Petroleum	1,752	8	Indian Petrochemicals Corporation	50.
9	Hindustan Aeronautics	1,440	9	Cochin Refineries	1,589	9	National Fertilisers	49.
10	Western Coalfields	1,334	10	Bharat Heavy Electricals	1,433	10	Air-India	44.

Source: The Economic Times (3rd July, 1986)

undertaking governed by the Companies Act, 1956, it actually has fewer decision-making powers compared to most public sector managements. Strictly speaking, the commission can make no regulations governing its operations unless they are pre-approved by the government and notified in the gazette. Even the power to improve the service conditions of its employees, which falls within the province of housekeeping for most public undertakings, is not available to ONGC.

This statutory disability was examined in great depth recently by the parliamentary Committee on Public Undertakings (COPU). In its report tabled in Parliament on 23rd April, COPU enjoined "a comprehensive in-depth review of the entire framework of the (ONGC) Act, so that the lacunae which inhibit the smooth functioning of ONGC are removed once and for all." One can only hope this weakness will disappear before long.

Yet all these weaknesses are overshadowed by the fact that there is no obvious successor to Wahi. Predictably, there is plenty of speculation on this point. Conservatives within the commission who would rather have a geologist heading ONGC say that Bhandari is a likely choice given that he has age on his side; he is a long-timer who has grown with the organisation and having been project manager (Bombay offshore) from 1974-82, has handled exploration, drilling and logistic planning in all its aspects. Of course, Bhandari's possible candidature would come to naught if his tenure as member (drilling) is not renewed next month.

HIGHLY RATED

The adventurist school predicts that ONGC's dark horse — the Massachusetts Institute of Technology and University of California educated and former Engineers India Ltd. chief Dr. Anil Malhotra (47) — who resigned from his member's position last October despite having got a second term ending 1990, will stake his claim for the top job when the time comes. Malhotra joined the World Bank last year as a relatively lowly reservoir analyst, to the surprise of many. It is hardly a secret that Malhotra and Wahi didn't see eye to eye on most issues. The indications — having taken care to sign an agreement with the World Bank which is terminable at short notice — are that the highly rated Malhotra is awaiting a call from on high while in the US. There is a precedent for this. ONGC's former chairman N.B. Prasad was thus summoned to take charge by a personal phone
from the late Mrs. Gandhi.

Another candidate for the ON
chairmanship whose name is be
heard in New Delhi's corridors of po
is that of the low profile Major Gene
S.C.N. Jatar (52), the chairman of
India Ltd., ONGC's 'kid sister' in the
exploration and drilling business. W
in its obvious limitations, Oil India
been doing remarkably well (see
Cover Feature May 23-June 5, 19
Earlier this year, it was adjudged
best managed public sector company
1985 by the Harvard Business Sch
Association of India. It is specula
that Jatar might well be promoted.

But whoever the new incumbent
ONGC chairman might be, he will fi
that even though self-sufficiency in oi
only a 70% reality, the onward road
already been mapped and directi
marked. He will head an organisati
which is technologically compete
fighting fit and raring to go where
action is. The foundations of the se
sufficiency by 2005 goal have been w
and truly laid. Over the next two
cades, they will have to be built up
before Wahi's dream becomes a rea
and he secures a position of respect
himself in the economic history of
nation.

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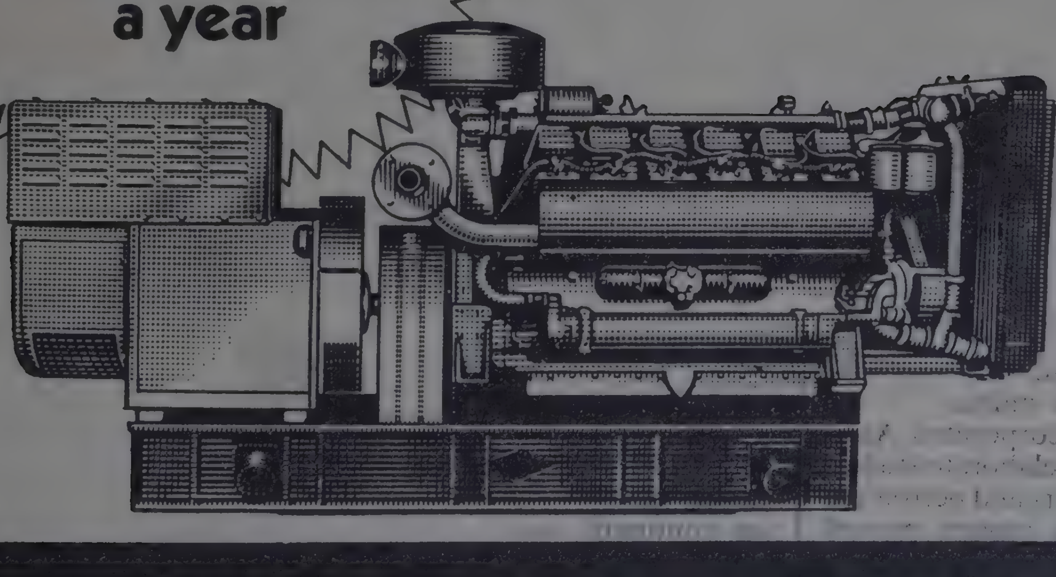

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Foreign sources

P.V. SATYANARAYANA

This article, the eleventh in the series on business information, attempts to highlight overseas—and perhaps more objective—sources for information relating to India. Only such overseas sources as periodicals and research reports which cover India regularly are discussed in this article and the next. Overseas sources generating information on international markets and economies are excluded from the scope of this article, but will be covered exhaustively in a subsequent part of this series.

These overseas business information sources are highlighted with a view to present additional sources of information on India other than those published within this country. Often, overseas sources prove to be invaluable in providing the type of information on Indian business and industry which is not provided by publishing houses or research bureaus within India.

MARKET INFORMATION

□ Business International Corporation (BI) is one of the better known international organisations engaged in conducting research and disseminating information on a number of important international markets. The corporation has its headquarters in New York but has offices in various important cities of the world including an Asian sector office based in Hong Kong. BI publishes a host of weekly and fortnightly newsletters nomenclatured *Business Asia, Business China* and *Business International* among others.

Business Asia, an eight page newsletter aimed at top level corporate managements, comments regularly on India in the form of news stories oriented towards multinational firms. One of the most useful publications brought out by BI is the annually updated publication, *Investing, Licensing and Trading Conditions Abroad* known popularly by its acronym *ILT*. This publication has a comprehensive, well researched chapter on India running into about 35 pages.

□ Forest & Sullivan Inc. (F&S), New York, specialises in offering multi-client market research studies. Though F&S largely covers the American markets, the corporation also frequently releases multi-client market research studies on world markets for specific products. For instance in the recent past, it offered extensive information on the ambit of the world market for products such as telecommunication equipment, process control instrumentation and military equipment, in which information on India was incorporated. Also, during the late seventies, F&S published two elaborate studies on the markets for process control instruments and petroleum plant and equipment in India. Both these reports proved useful to Indian companies.

□ The US department of commerce is one of the largest publishers of information about international markets. India is one of the countries which receives considerable attention from this American government department which o conducts market surveys in India on products of spe importance to US businessmen through their embassy consulates.

In addition, the department publishes industrial outl reports on specific sectors of industry. Several sectors in I such as iron and steel, mining and petroleum have b covered in this manner in the past. The US departmen commerce also publishes an annual document, *For Economic Trends and Their Implications for the United Sta* more popularly known by its acronym, *FET*. This docum provides a critical analysis of the economies of var countries, including India, as perceived by the comm department's researchers.

These useful publications apart, possibly one of the m useful documents published by this department is *Overseas Business Report (OBR)* which covers sev countries including India and is updated every five years

PARTICULARLY USEFUL

□ Some United Nations affiliated organisations such as International Trade Centre (ITC), Geneva; United Nati Industrial Development Organisation (UNIDO), Vienna, the World Bank, Washington also publish information various member countries including India. Some of the Wo Bank publications such as the *World Development Report* the *World Bank Atlas* are particularly useful to foreign indigenous businessmen. While organisations such as and UNIDO mainly publish reports on international mark they also provide useful information on India.

□ Similarly, Euro Monitor Publications Ltd., UK, publishes annual report, *International Marketing Data and Statis* which provides tabulated consumer data pertaining to ab 100 countries including India.

□ Dun & Bradstreet Inc., USA, publishes a number of rep on international business. Its well known annual publicati include the *World Marketing Guide* which offers a wealth data on India.

□ The Economic Intelligence Unit Ltd. (EIU), UK, publis regular quarterly reports on India covering the econo government policies, political developments, trends in inv ment and consumer spending besides offering details economic trends.

□ O.A. Goulden & Partners, UK, specialises in publish multi-client market research reports on various electr products on a worldwide basis. Details of the Indian market occasionally provided in the Goulden reports.

Apart from the organisations listed above, there are number of others which periodically publish reports or worldwide basis and offer data pertaining to India as w Such organisations include Deloite, Haskins & Sells, U Coopers & Lybrand, USA and Price Waterhouse, UK.

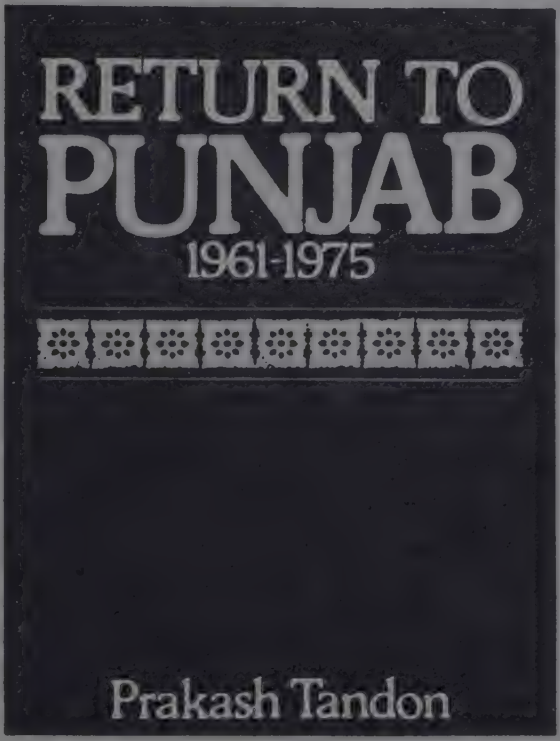
Until the early eighties the coverage of India in m international publications tended to be cryptic and curs since few in the western world regarded India as a potent market. However, since 1982, western businessmen a media have been indicating a growing interest in t sub-continent. This interest has been spurred further by t liberal economic policies of the Rajiv Gandhi governme which seem to have enthused western businessmen, especia the Americans. All this means that a greater volume business-related information on India is likely to be generat abroad in the future.

The birth pangs of IIM-A

Prakash Tandon is perhaps India's most well-known and widely respected professional manager. In his career, which began when he joined Lever Bros., Bombay, as a market research assistant in 1937, he attained many distinctions and was appointed the first chairman of Hindustan Lever (1961-68); chairman of the public sector State Trading Corporation (1968-72); chairman of the Punjab National Bank (1972-75); and director general of the National Council of Applied Economic Research (1975-80). Currently Tandon is the honorary president of NCAER.

Even while he was carving out a career as one of the most respected managers in Indian industry, Tandon found time to write a three volume autobiography, rich in social history and which is popularly known as the Punjab trilogy.

In the last extract we had featured Tandon's account of the building of the foundations of the Indian Institute of Management, Ahmedabad and the contribution of two remarkable individuals Vikram Sarabhai and Kamla Chowdhry. In the current extract we feature his account of the birth pangs of IIM-A.



RETURN TO PUNJAB
1961-1975
Prakash Tandon

I entered 1964 with some confidence that after passing through three years of hard weather, things could only be better; and during these years I had learned to feel at ease with my three masters, Unilever, shareholders and government. Their interests should really have been identical at least in a professionally managed company: the growth and diversification of the company, with good profits for one and abundant taxes for the other; and no profits siphoned out for family and friends. In fact government's share of the profit by way of company tax alone, ignoring the many duties and taxes on the side rose to two-thirds and more; the shareholders and the reserves sharing equally the remaining one-third.

But even with its four times bigger share than the shareholders, government seemed to be dissatisfied; in fact one saw signs of resentment against profits as just profits, no matter how honestly they were earned and how much they served as grist for growth and, of course, the ever-growing administrative mill. It was a curious and incomprehensible ambivalence that wanted growth without the surplus to feed it. Its roots were interesting to unravel, as we seemed to be raising a new economic culture striving to bear fruit from no seed.

Kamla organised the first Three Tier Programme at Jaipur early in 1964. Its participants came from medium and large private and public enterprises, and a few also from the Central and state governments. Kamla asked me to give a talk and the theme I chose came from a discussion a little earlier at the Planning Commission to which its new head, Asoka Mehta, had invited me along with a number of others for a free and frank discussion on how to accelerate growth in the economy.

Many views were expressed at the meeting, centering mainly around freedom from the many restrictions upon growth; the complex and cumbersome licensing procedures that not only took years to grant permission but always tried to whittle down the demands. It seemed that if you were willing to accept a smaller expansion or a smaller new venture you stood a better chance, and also a chance of an earlier disposal of your case. One got the impression that the processors and recommenders of a case made it a point in their favour, and the applicant's, that he had been persuaded to accept smaller growth. Growth that should have been poured out in ladles was doled out grudgingly in spoonfuls. I added that fundamentally profit to government was a dirty word. Asoka Mehta reacted to this and in a public lecture shortly afterwards denied that profit was a dirty word. I pursued this topic at Kamla's programme.

"Service, not profit," was the constantly preached motto of our leadership; but service out of what? We needed surplus to plough in for new growth; this leads to size; and we did not like surplus and we did not like size. Surplus and size amounted to success. To us success was always suspect. Profit honestly earned was as much frowned upon as that dishonestly come by. Profit had become synonymous with profiteering; size with exploitation; and success with something anti-social. With such counter growth attitudes, how could there be growth? Even the existing small growth had begun to decline and would soon disappear, giving way to a stagnant economy in a rapidly rising population. We therefore not only needed a positive pro-growth attitude but an intolerance of the anti-growth attitudes. Its proper distribution was a matter for the leaders; its creation was the task of the managers.

On the flight back from Jaipur to Bombay I saw a headline in a financial daily analysing the performance of a 100 large companies, and Hindustan Lever was declared to lead in its return on capital employed; the most efficient user of capital. The irony of it struck me immediately. Already the previous year's budget had introduced a new tax which in a capital-scarce country hit those harder who made higher profit on a given capital employed than those who made less. The least efficient got away altogether.

I put my worry into a letter to Andrew Knox. I said this might, on the face of it, be considered a great compliment, but I feared it would be the beginning of new troubles. We had been singled out; our size and success were already held against us; now our profitability would make us the bigger target. In fact, the headline talked about giants in the industry, when the biggest could not even then have figured among the first five hundred firms in the world. Interesting, I thought, that in Hindustan Steel I had felt sad because we made no profits, in Hindustan Lever I was sad because we made profits. Andrew Knox wrote back with his characteristic understanding—yes, he said, he was glad we were efficient but unhappy that what should normally have pleased me should instead be a new source of anxiety, in an atmosphere already replete with worries.

Today, instead of going to work because we have to, let's go because we want to.

Just for a few moments, remember the first working day of your life.

Remember the fire you had: how you wanted to change the world.

The enthusiasm you had: to do in half a day what the 'organisation' took ages to do.

The creativity you had: to push for new solutions to old problems.

The ambition you had: to be the fastest person to make it to the top.

So what happened?

At the expense of doing a job, did you forget your career?

Or are you hiding behind convenient words like 'necessity' and 'age'?

Which is a pity because intelligent people know it's not true.

As well as they know the benefits of being robots: a lifetime of unexciting days in impersonal organisations.

Pursuing a career (as opposed to doing a job), we like to remind ourselves, has the effect of a stone in an organisational pond.

It creates ripples of quality, efficiency, creativity and profitability.

And all it requires is for us to rekindle the desire to express our personalities more fully at work.

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Instead of the fire of challenge in our eyes.

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Our public relations department under Chandy had recently prepared a press campaign explaining the role Hindustan Lever played in society; its theme was "Hindustan Lever serves the Home." It was a well-designed campaign in a reasonably low key, but I was unhappy with the idea itself. I had watched the Burmah-Shell campaign a few years earlier—"Burmah-Shell, in India's life and part of it," how Shell kerosene and candles lit the village huts and its fuel oil and lubricants helped move the wheels of industry, and my reaction was that even as a company whose products reached every nook and corner of the country, it should perhaps have literally hidden its wax candle under a bushel.

These were the years of great institutional campaigns the world over, but in India I could not help thinking that it was better for a private firm, and an international one at that, to keep a low profile. Product advertising, yes; the company's achievements, no, in an environment almost hostile to growth, size and success.

The first Three Tier Programme ended well, an experiment worth continuing. Kamla's and Vikram's plans were working out well, with me on the periphery, for the new postgraduate programme, building the new campus, forming a team out of the new faculty. One day Vikram made me a proposition. Dr. Jivraj Mehta, recently displaced from the first chief ministership of Gujarat, the first chairman of our board, was now going to London as our high commissioner and had therefore resigned. By tradition such posts belonged to chief ministers and politicians; why pick on me, I asked, when it was suggested that I accept the chairmanship. I was neither a public figure nor a politician, nor at the helm of a large business family group; I had none of the usual qualifications. "We need a professional manager," said Vikram smilingly.

Kamla said, when I consulted her, "Accept it, you will like it and you have something to offer."

This was my first position of responsibility outside the firm, apart from some board appointments in the public sector that I had just accepted. In the unfamiliar academic world Vikram's and Kamla's support meant everything to me. I accepted the chairmanship and served for five exciting years full of problems.

The Institute's early problems were many. The first was to lay down certain academic workload standards with the first group of students, who were used to an academic laxity that bore no relationship to the rigours of the Harvard Business School standards that we were trying to set. Used to earning a good second with a quite light workload of barely 20 hours a week, with a short spurt as examinations approached, now exposed to a seventy-hour week with regular assignments and tests, they broke down soon after the first term began. They struck. The assignments were too many, the examinations too hard, the questions did not stick to the books, the professors were heartless and unsympathetic; the whole system was unfair. It must be changed. These were the early years of student protest, which did not have anything to do with principles.

'The Institute's early problems were many. The first was to lay down certain academic workload standards with the first group of students, who were used to an academic laxity that bore no relationship to the rigours of the Harvard Business School standards that we were trying to set'

This kind of performance was becoming the new style at the universities, and was tolerated in the name of justice and freedom, and supported cynically by some political parties. It struck at the roots of the academic system and was to grow to a stage when the right to pass examinations became as if a part of the fundamental rights the Constitution conferred on every citizen.

At Ahmedabad there was a large number of subjects, compulsory and optional, and their study was based on understanding rather than learning by rote. This meant a mental concentration and a form of discipline they had not been used to. The case study method was in itself a new and absorbing experience in participation between the teacher and the taught. It demanded careful preparation before class so as not to drop out of the discussion. The teachers drew knowledge out of the students instead of drearily pouring it in during long lecture hours; and tested you while you were learning.

Manu, our elder son, who was then at the Sydenham College of Commerce in Bombay, considered the best of its kind in India, was surprised when I described to him our style of teaching at Ahmedabad. "What, interrupt a teacher in class?" This wasn't done even if you found it genuinely difficult to follow the teacher. I related to him my own first experience at Manchester University, the thrill when I could put up my hand and stop the dean of the school, no less, and say, without even a by-your-leave, "Could you go over that again, please!" And when I interrupted him twice over the same point he asked me to see him after class, and he would run through it with me. Somehow our sense of hierarchy prevents us from participating even in the process of learning.

They expressed their resentment by boycotting classes, demonstration, shouting and generally disrupting. Their behaviour followed the students' protest strike during the early days of the freedom movement. I wondered whether Gandhiji had realised what he was doing when he taught my generation to refuse to receive education at the hands of the British. Did he visualise the time when a few unprepared students would rise from their seats in the examination halls and shout for justice, disrupt the examination, and cause other serious students to lose valuable months of work; when for one English professor then shot there would be countless Indian teachers stabbed; when protest on patriotic grounds turned into prurient attempts to pass examinations through intimidation.

Through the years when student unrest spread and first affected the universities and then the new institutions of excellence, such as the institutes of management and of technology, and ultimately even the Nehru University, it never came back to our institute, even when Gujarat University broke out in the worst riots ever of Ahmedabad and toppled a stable state government.

I suppose Gandhiji had hoped that protest as a weapon, like the sword would be hung or turned into a ploughshare. Instead it turned arid and destructive, and became an almost daily affair at schools and colleges, as much as in factories and offices, and in the streets. It was to take its greater toll of the quality of education. At an engineering college in the north, one of the striking students' demands was to be given a degree automatically at the third attempt.

We had a young faculty, barely older than the boys and girls, mostly just out of their doctoral programme. Kamla, forty-two, was the oldest of them; they were all a young and youthful lot, and there was no generation gap. The faculy were besides men and women of qualifications that merited their intelectual leadership of the young students. Their teaching style was new and their minds fresh; and they were a dedicated lot of teachers, not just men who waited for a better job or to get into one of the civil services, and egarded teaching as something better han just waiting.

Fortunately the faculty at Ahmedabad held firm. Gradually the students too saw the meaning of the new system, and realised that you did well if you worked steadily and intelligently. The case study method was in itself a new and absorbing experience in participation between the teacher and the taught; you were tested while you were learning. After the first tantrums of the kind they had brought from their old colleges, the IIM students settled down to hard work, frequent examinations and academic disciplines of a peaceful campus. It was not luck alone; many factors contributed.

'Administration's typical staffing pattern of a high tail to teeth ratio permeate into our institutions and laboratories, with the result that with rising costs, more and more is progressively spent on clerks and peons than on teachers and researchers. To support non-academic and academic personnel many typically absorb two-thirds to three-quarters of the total budget, leaving a meagre proportion for the faculty; and this non-academic expenditure rises fast with inflation'

I wanted IIM Ahmedabad at least to try to avoid a common mistake of the academic institutions in India, which becomes their biggest problem; one that turns most of them into arid administrative bodies rather than institutes of research and academic excellence. Sponsored by government they are cast in the image of government departments—their staffing patterns, rules and procedures, designations and hierarchy, all unsuited to academia or research; and for that matter even to modern administration.

Administration's typical staffing pattern of a high tail to teeth ratio permeate into our institutions and laboratories, with the result that with rising costs, more and more is progressively spent on clerks and peons than on teachers and researchers. To support non-academic and academic personnel many typically absorb two-thirds to three-quarters of the total budget, leaving a meagre proportion for the faculty; and this non-academic expenditure rises fast with inflation, soon to cut further into what is left available for the faculty.

It goes back to the Clive culture, where as a young writer at £10 salary per annum in the East India Company at Madras, he wrote home that even at his junior level whenever he went out he was accompanied by an entourage of 10 men,otherwise the natives would not consider him a person of any consequence. This tradition they inherited from the Moghuls; part of it we inherited when we were free.

Industry too was beginning to take notice of Ahmedabad, and a new practice began of personnel recruitment teams visiting to get a feel of the calibre of teaching and of the students, a new breed of potential managers. The students became conscious of the demand, and the higher than usual starting salaries that were beginning to be offered to them. They therefore concentrated on their studies, and as soon as the final batch was out and was snapped up at premium salaries their successors needed no further urge to make the best of their two years. Their inhibitions and rough edges were soon knocked away, and work became their avid and only pursuit. They found the faculty led them well and teaching was good, and so they settled down to their task.

A problem that loomed large was the appointment of a permament director in place of Vikram, who was honorary and part-time, and Kamla who deputed for him without the strength of holding it in her own right. It was a weak arrangement altogether. The board was divided over it, and Harvard rather unhappy. Some thought Kamla could be the permanent director and others opposed this completely. I was surprised at Harvard's opposition to having a woman director in principle. They were quite clear that a woman would not be able to run an organisation that needed not only academic strength, which they conceded she possessed, but administrative strength which they felt she did not possess, nor would probably any other woman.

I felt they were prejudiced on this point, although I did concede that Kamla was not outgoing enough and did not have the kind of firmness she would need in plenty to deal with a young and ambitious faculty, some hundreds of very lively students, industry and donors, especially the Ahmedabad group, and government. Each one would be as supportive as the director was clear and firm in pursuing the objectives. There was besides a large building programme for the new campus, involving large sums, many hard decisions and much fund raising. The whole thing was literally a man-sized job.

I had been surprised when I first went to Harvard how rare it was to see a woman student or faculty member at the Business School; and their answer was that business management and its teaching was not a woman's job. Among the three thousand or so alumni of their Advanced Management Programme for senior business, defence and government executives there had never been a woman, until Kamla attended it in 1963. Women and negroes you rarely saw at the Business School. On top of all this Kamla was as feminine as she could be, withdrawing and shy, confident only with a few with whom she felt completely at ease, with no flair nor visible liking for administration.

But she had her point of view. This was a man's world in which the so-called male quality of firmness was at a premium; when applied to an institute it had no meaning, especially if it took precedence over academic qualities. In other words, the selectors would consider it quite proper to appoint a retired civil servant, as they were wont to do in India, who was weak academically, rather than to choose a woman academic who was weak administratively.

Vikram felt acutely unhappy through all this. I think he had almost built the institution around Kamla. In the Textile Research Institute, where they had worked together, she had made a contribution by introducing social sciences into a purely technical research atmosphere, thereby giving it refreshing new directions towards human relations and also marketing and consumer research. Here they would work together to build India's first business school. He had great faith in her capacity to give this institution a culture of business education, new and different to the usual family business culture of private industry and to the administrative culture of the nascent public sector. They had discussed this at length between themselves, and at Harvard, MIT and Stanford; and now that their dream was taking shape a wall of prejudice was rising against Kamla on his account. She was a woman and a woman whom he admired. This was enough for those who could not believe that Vikram could be objective in this regard.

He dutifully carried out the board's desire to look for another director, and even contacted an ICS man, then an ambassador, who at the end of his posting, and uncertain what offer government might make him, showed interest. Vikram asked me to talk to the board, and they were immediately taken in by a name of such administrative distinction. I wrote to him and we corresponded desultorily, but soon government's offer of the governorship of a state settled his vacillation, and he wrote back to express his perfunctory regret. The challenge of an academic assignment that he had talked about evaporated quickly. I was relieved, for if there could be a choice between a governorship and the chance of a lifetime of building a new institution of this kind, his rejection was the institute's gain.

There were others who tried, many retired administrators and generals, who all felt that their experience was close enough to business administration. As I resisted each case, word went round that first Vikram and now I were stonewalling for Kamla's sake. Comparisons were made in favour of the sister institute at Calcutta, where Chandy had been appointed director two years ago. Vikram got discouraged and stopped taking interest; he felt unbelieved and therefore unwanted. He also felt he had let Kamla down when he did not resign from the board.

She felt the same way about both of us. Whatever I thought of her administrative capacity, the fact was that I rated her academically high enough to accept her as a director; and if the board could accept a civil servant whose only merit was administrative experience, surely they could have accepted one with only academic strength. But she felt that neither Vikram nor I was willing to make an issue of it. Only through such strength displayed could the principle have been established. Vikram withdrew, I felt I had to see it through; but it was a duty that had ceased to be a pleasure; and I began to think of leaving as soon as the appointment was made.

Ravi Matthai appeared over the horizon. He was young, only thirty-eight, had worked in industry, and under Chandy's influence moved from industry to teaching at Calcutta. With a clear, thrustful mind he made a good leader, and his high values assured me that there would be no compromises with the institute's growth. He took more than a year's persuasion, because his heart, he said, was in teaching and research and not in administration; that was why he had left industry. While he had transparent integrity I think he was mistaken about his desire for teaching and research, for when he was in a position to do both, he did neither. He was too restless and lacked the necessary perseverance for research at least. He was really an institution builder, and that is where we were lucky.

> **'While the Calcutta Institute now began to develop its own problems of politicisation, Ahmedabad, once set on the new course, went from strength to strength, until it could afford to shed its pioneering generation and take the change in its stride'**

Ravi made two points clear—that he would not remain director for more than five to seven years, and that I should stay on for another two years, at least till I had completed my five year term. Leaving administration to go back to teaching was, I felt, a healthy principle in academic life. As for the second condition, I was reluctant to stay any longer than he needed me to find his feet, which should not take much more than a year; I was prepared to leave even earlier. I did not want to breathe down his neck; used to being an active chairman I did not relish a purely decorative capacity especially now that the building job was over. I would prefer to fade out. Ravi seemed genuinely eager to have me stay; and there was besides one delicate task to accomplish, to build a bridge between him and Kamla and get them to work together.

Ravi had his doubts whether Kamla would accept him as the director and give him the much needed help. He would understand if she kept aloof but it would make things difficult for him. Kamla on her side was also a reluctant partner in the new set-up. I was afraid she would withdraw into her shell, and Ravi finding her uncooperative, might throw in the sponge. In fact both expressed to me in the same vein their anxiety to leave if the new arrangements were not to their liking. The prospect of both of them leaving and thus being stranded was a nightmare to me.

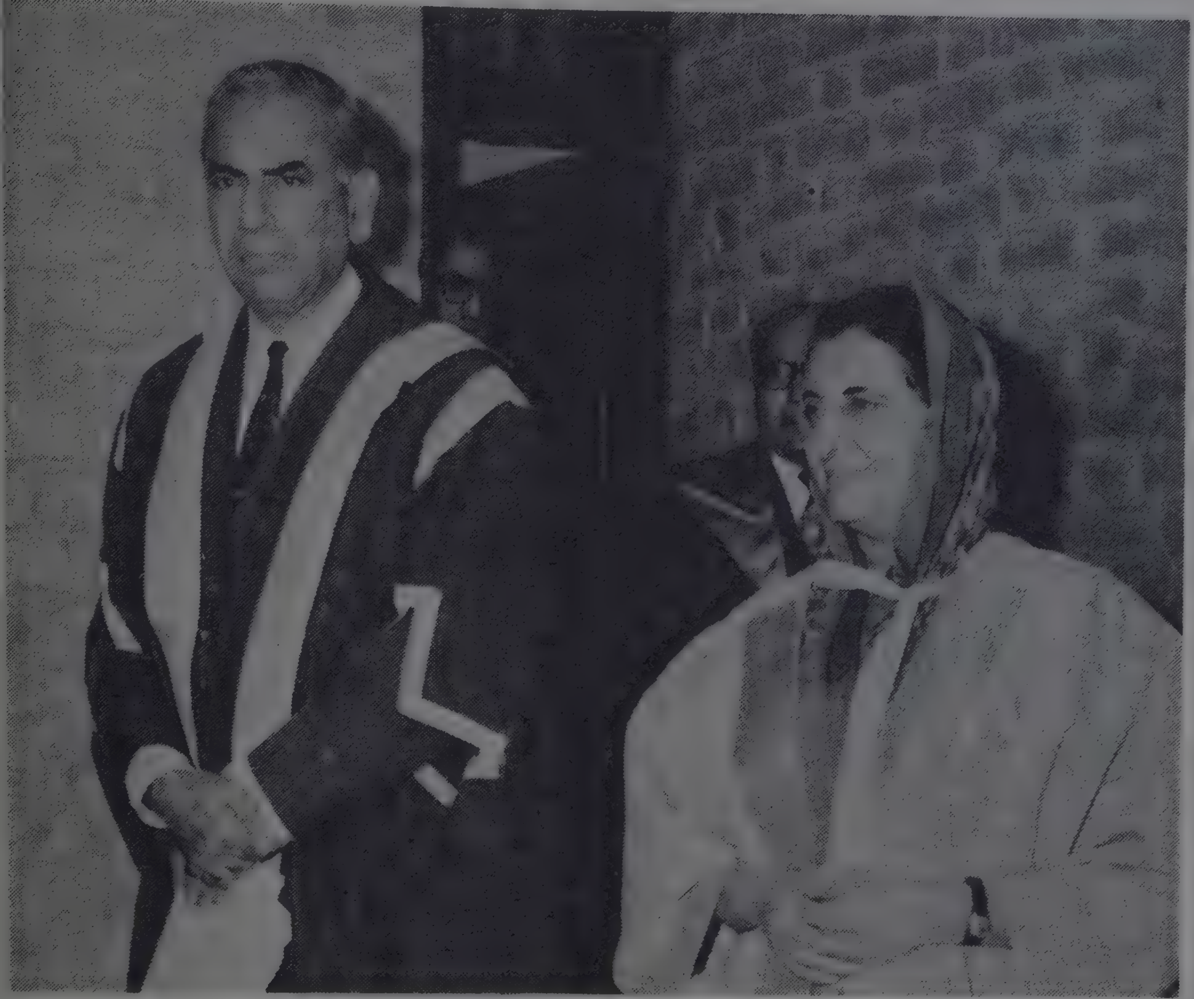
Instead the least expected happened. I managed to bring them so close together that I could soon tell that I was needed no longer and felt uncomfortable staying on. They worked like the team that she and Vikram had been at ATIRA (Ahmedabad Textile Industry's Research Association). While the Calcutta Institute now began to develop its own problems of politicisation, Ahmedabad, once set on the new course, went from strength to strength, until it could afford to shed its pioneering generation and take the change in its stride.

I stayed on a while, because the board insisted that we create a convention of a five year term. In due course Ravi stepped down when he felt that his task was done, but stayed on to teach. His succession must have pleased Harvard's keen desire for faculty democracy; the faculty were asked to choose their next director and did so; they chose someone quite young, Samuel Paul. The connection with Harvard had matured and was shed, and Ahmedabad turned to wherever it had something to learn. Vikram died suddenly. Kamla left Ahmedabad for ever.

Vikram's end came suddenly. I was staying in Bangalore with Air Marshal Mehra, head of Hindustan Aeronautics, who told me that he was going next morning to meet Vikram at the airport. I said I would like to go too, as it was a long time since I had met him. At the airport we were told by the station manager that the special air force plane bringing Dr. Sarabhai was due in another hour. Mehra asked in surprise, "Is he not coming by ordinary flight?"—"No sir, a special plane is taking his body to Ahmedabad."

It was a strange way to get the news of a friend's death.

A new, younger generation took over the reins, competently and securely, which is something rare in Indian institutions. In my last year, at the graduation ceremony, I watched Ravi Matthai deliver the valediction and while he was speaking with his characteristic youthful verve, I passed a small



Tandon with Mrs. Gandhi at IIM-A convocation (1968): smooth succession

note to our chief guest. "In a little way I feel I have achieved something—to have left a young successor first in Hindustan Lever and now in Ahmedabad, both barely 40 years." She smiled knowingly; for she herself was a young prime minister.

As I began to pull out of Ahmedabad, I became more involved in the public sector, in many of its new industrial units, the Reserve Bank, government committees on diverse subjects, from railways to foodgrains distribution and the national system of budgeting, and into other management academic institutions. Klijnstraa's prophecy that I would receive heavy demands to serve government proved more than right, and I willingly accepted the demands for it widened my horizon. Unilever however was generally unimpressed by these extramural activities.

I also saw growth's almost imperceptible first decline. When it stopped altogether for a while, I was part of the system. I perhaps saw things a little better than many others around me, the regular administrators, few of whom were sensitive to the production process. Time and the unresult-oriented system seemed to have blunted their sensitivity. Also, from both sides, from their own caste system and that of their British predecessors, they had inherited a distaste for business and a suspicion of profits. They could place crippling constraints on production without the least feeling or regard for consequences.

An administrator, whom I was once meeting on behalf of a manufacturers' association to solve a difficulty that his department had created, announced on the spur of the moment that he would ban a small pack, in the interest of economy. To my reaction of disbelief, he said "So what, it may deprive the industry of profit, but we are not here to ensure its profit." What about the demand for that pack, production, employment, consumers, taxes? I asked. But I found I was only provoking him to go ahead; which he did—in the name of economy, national interest, consumer, with even the poor man thrown in! The senseless step he took was not reversed till some years later.

Working with government, and in its public enterprises, helped me at least to understand and thus bear better the burden of their decisions in industry, which would otherwise have sometimes baffled and frustrated me. Many were the times when I would return to my own office from New Delhi, lean back in my chair and feel how good it was to return to an island of predictability like a fine ship whose systems and men were responsive to the smallest touch on its wheel. There would perhaps be a board meeting, with an agenda of ten points, each explained in a brief paragraph, even a single line, together with a single sheet showing the month's results, instead of the public enterprises' voluminous agenda running into two hundred pages and more, and saying very little.

My own base was strong and secure, with Ramaswami as vice chairman freed completely of day to day responsibility. Older than me, he had seen all rungs of the ladder and knew the business thoroughly. An understanding developed between us that I could think and act as boldly as I liked but always secure in the knowledge that I would feel the restraining touch of Ramu's hand on my back, if he detected an indiscretion or haste. Free of direct responsibility, he made an excellent sounding board and a filter; altogether an institution that I found very helpful.

Ramu had a keen sense of humour and proportion. Once at a board meeting, when there was a prolonged deadlock over an appointment, some considering the man able while others felt that though able he was unsuitable because the man under him would chafe under his ways, Ramu ultimately broke it by remarking "Well, let us take a chance; he is capable and that is more important than his personal angularities," and he ended, "what if his men will find it difficult to stand him; have we not stood Prakash for years?" There was loud laughter, a complete thaw, and we went on to the next item on the agenda.

On another occasion, a young manager rushed in with some news from Delhi that looked quite bad. We discussed at length its implications and our chances, and slowly it began to look not quite as hopeless. At the end Ramu remarked, "And when in the past have we not been able to solve a problem; so we will this time." And he added philosophically, when the young man left the room, "It is the young who are the pessimists; we have faced and survived too many crises not to have become optimists."

With Hindustan Lever, after we had adjusted ourselves to the ravages of the post-China budget, in which there were gradually relaxations, I felt time had come to take a close look at the organisation. The last major reorganisation of the company had taken place in 1943 when, in the middle of the war, it was decided with rare insight to look ahead to the end of the war. In 1964 the company was doing well and in good shape, perhaps the best time to consider a reorganisation, though little did I realise, when I began the exercise, what a long, difficult task it was going to be. BW

KARNATAKA STATE FINANCIAL CORPORATION

Shankaranarayana Buildings, 25, M.G. Road, Bangalore - 560 001

Excerpts from the
CHAIRMAN'S STATEMENT

Shri M. Sankaranarayanan, IAS
Chairman

Ladies and Gentlemen,

It is my proud privilege to welcome you to this Twenty Seventh Annual General Meeting of the Shareholders of the Karnataka State Financial Corporation.

I am glad to report that inspite of severe drought conditions prevailing in many parts of the State, your Corporation has once again performed extremely well in all the key areas of its operations. During the year, the Corporation also crossed a further milestone by reaching a level of Rs. 100 crore sanctions for the first time.

Economic Scene 1985–86:

The State's economy passed through a crucial period during 1985–86 on account of severe drought conditions. The State's income, at current prices is expected to go up only by 3.2% over the previous year. There was a shortfall in production of food grains to the extent of 35%. The State Government's forward looking industrial policy has continued to yield high dividends as evidenced by a 41% rise in investments on SSI units from a level of Rs. 62.24 crores during the previous year to Rs. 87.87 crores during 1985–86. One of the major factors which affected the establishment and growth of industries was severe power shortage.

OPERATIONAL PERFORMANCE:

The overall performance, against the targets set for 1985–86, is as follows:

(Rs. in crores)

	Target	Achievement	Pecentage Achievement
1. Sanctions	85.00	103.57	121.85
2. Disbursements	64.00	68.29	106.70
3. Recovery	45.00	48.10	106.88

Clearance of Applications:

The average time taken by the Corporation to process and sanction a loan application has been reduced from 38 days in 1984–85 to 28 days in 1985–86.

Flow of Assistance:

(a) Backward Areas:

As in the previous years, adequate attention was given to the promotion of industries in the backward areas of the State. During the year 1985–86, an amount of Rs. 47.18 crores was sanctioned to 2,680 entrepreneurs in these areas as against a sum of Rs. 35.82 crores to 2,375 entrepreneurs during the previous year. This account for an increase of 32% in amount and 13% in number over the previous year. Nearly 47% of our assistance during the year has gone to backward districts. In Bidar, the only 'No Industry District' of the State, 149 cases availed of an aggregate assistance of Rs. 6.00 crores as against Rs. 3.53 crores provided for 136 cases during the previous year. This represents an increase of 70% in terms of amount over the previous year.

(b) Small Scale Industries:

During the year under report, financial assistance to the Small Scale Sector was of the order of Rs. 72.59 crores for 4,004 cases as against Rs. 52.22 crores for 3,194 cases during the previous year, resulting in an increase of 39% in amount and 25% in number.

(c) Rehabilitation of Sick Units:

During the year the Corporation extended rehabilitation assistance of Rs. 3.66 crores to 27 units under the IDBI Scheme. In 710 cases reliefs such as funding of interest dues and rescheduling of payments were provided.

The details of financial assistance extended during 1985–86 under the special schemes are as follows:

	No.	Amount Rs. crores
1. Technicians' Scheme	351	5.67
2. Composite Loan Scheme	1828	1.58
3. Soft Loan Assistance	322	1.34
4. Assistance to SC/ST and other Backward Classes	1360	6.01
5. Financial Assistance to Women Entrepreneurs	518	1.24

A scheme to provide working capital to technician entrepreneurs was launched on an experimental basis in Tumkur in March 1986, in association with the State Bank of Mysore.

KSFC's Ranking among SFCs in the country:

The Corporation continues to register the same spectacular growth, it has already achieved during the last 3 to 4 years. Your Corporation now occupies the premier position among SFC s in the country based on an objective assessment of the overall performance parameters in the key areas of its operations. From the Eighth position just about 3 years ago, this is indeed a high water mark in its progress.

Your Corporation was able to achieve this remarkable success mainly because it was guided by two principal objectives, viz.,

1. Greater dispersal and distribution of the beneficiaries of financial assistance throughout the State and particularly to the backward areas.
2. Increased emphasis on its lending to the less affluent entrepreneurs, agro based small scale industries and to the under privileged sections of society.

Financial Performance:

The business of the Corporation during 1985–86 generated an income of Rs. 21.77 crores on a cash basis with a pre-tax profit of Rs. 3.91 crores. After making a provision of Rs. 1.18 crores for taxation, the net profit of Rs. 2.73 crores was available for appropriation.

Computerisation of Operations:

Your Corporation reached yet another milestone in the area of computerisation. In November 1985, the latest 4th generation minicomputer and a personal computer were installed at the Head Office. With this, Karnataka State Financial Corporation has become the first SFC to establish a full fledged in-house computer in the country.

Targets for 1986–87:

The Corporation has decided upon a zero growth rate in its annual sanctions for 1986–87. It proposes to consolidate and strengthen the quality of its operations by concentrating more on disbursements and recoveries. Hence, the Corporation has set itself the following targets for the year 1986–87. Rs. 103.50 crores of Sanctions Rs. 87.25 crores of Disbursements and Recovery the tune of Rs. 58.00 crores.

Tasks ahead:

A number of major policy initiations have been taken by the Government of India in the areas of long term fiscal policy, liberalised taxation and import policies, broad banding of industrial licences and so on. These policy decisions have been taken against a background of reassuring economic indicators, which showed an improvement in the growth of GNP, buoyancy in revenues and a declin in the rate of inflation.

Recent amendment to the SFCs Act has enabled the Corporation to sanction a maximum of Rs. 60 lakhs per unit and enlarge the capital base from Rs 10 crores to Rs. 100 crores and permits the Corporation to raise funds from the public money market. It augments the powers of the Corporation in matters of recovery. The scope of business of SFCs has been enlarged. SFCs can now accept and discount Promissory Notes and Bills of Exchange. Financing useful techno-economic studies and R & D activities have been included in the authorised business of the Corporation.

Your Board of Directors have recently approved a proposal to meet the R & D cost of specific projects where technological gaps have been identified. These products will eventually be commercially exploited on a large scale through prospective entrepreneurs to be selected by the Corporation.

Acknowledgements:

I wish to place on record my grateful thanks for the valuable assistance, guidance, support and continued co-operation received from the Government of Karnataka, especially from the Departments of Finance and Industries, KSBPE, IDBI and RBI. I also thank various institutions of Government such as KSIIDC, KSSIDC, KIADB, TECSOK, DIC, LIC, SISI, NSIC, Lead Banks, Scheduled Commercial Banks, Co-operative Banks and the Shareholders.

May I place on record my warm and deep appreciation of the dynamic leadership and single minded devotion of the Managing Director Sri B. S. Patil to the affairs of the Corporation which has contributed in no small measure to this high degree of success. I also want to compliment the officers and staff of the Corporation for their dedication and hard work which has enabled the Corporation to reach these new heights in its business operations.

A last word for the present: when I became Chairman of the Corporation three years ago I had three objectives in mind for the Corporation. These were: (a) promote its steady growth in all respects, (b) diversify and encourage its activities outside Bangalore and particularly in the rural areas and (c) stimulate local entrepreneurship.

I am glad to report to the Shareholders that all these have been very substantially achieved during this period.

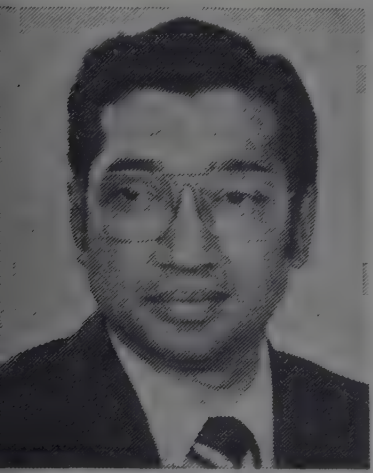
Thank you,

31st July, 1986 M. SANKARANARAYANAN

BusinessWorld
August 18—31, 1986

Franchise fundamentals

WALTER E. VIEIRA



One soft drink manufacturer has over 40 plants in India while other soft drink manufacturers are making intense efforts to catch up. The increasing demand for non-aerated soft drinks makes it necessary for soft drink manufacturers to stretch themselves—and quickly! Likewise, ice-cream brands are making their presence felt in class I and II towns and are no longer restricted to the metros.

In addition, there is news of chains of fast food restaurants invading the country—or at least the metros and semi-metros. These developments should make managers in Indian industry review the options available to enable them to expand their operations as fast as they need to—before a competitor steps in and makes entry more difficult.

One quick expansion route is the system of franchising. This was used effectively by the US-based Coca-Cola Corporation to expand worldwide in a relatively short span of time. PepsiCo followed suit and did this equally successfully. Now franchising is adopted by various businesses, service industries in particular, which lend themselves to this system—Kentucky Fried Chicken, McDonald's hamburgers, hotel chains such as Sheraton, Holiday Inn, Hilton and many others in the US.

Indian business too has begun franchising abroad—the Oberoi hotel chain and Parle soft drinks being two notable examples. All of which goes to show that Indian managers are beginning to recognise franchising as an attractive form of corporate organisation for companies wishing to expand quickly without making huge capital outlays.

HIGHER FIGURE

It is reported that franchise sales in Europe alone aggregated $17 billion (Rs. 20,400 crores) in 1984. The figure is much higher in the US, where the concept of franchising originated. There are 1,200 owners of franchise in the EEC countries, with France having 450 franchisors with 22,000 outlets and UK boasting over 250 franchisors. In addition to the well-known US names such as Coca-Cola, Kentucky and Holiday Inn, there are others from Europe itself—United Biscuits and Wimpy Fast Foods in the UK and Pronuptia (which franchises wedding apparel) in France, to name a few.

The franchising system offers the advantages of the knowhow of the franchisor and the local knowledge and the entrepreneurial spirit of the franchises. The basic features of a franchise agreement are:

- A common trademark;
- A common management and sales system for which the franchisee pays a management fee;
- A joining fee paid to the franchisor usually towards research and development work by the latter;
- A centrally guided advertising and sales promotion campaign;
- The franchisor may provide the franchisee access to a company-run pilot operation to prove the viability of the business concept—or he may provide access to other existing successful franchise operations to familiarise a franchisee with the standardised production, marketing and service strategy of the franchisor; and
- The agreement is fairly flexible so that the franchisee can adapt it to local conditions e.g. local tastes for foods, aerated waters or any other beverage in the case of a fast foods franchise for example.

To develop a franchise chain, the onus is on the franchisor to convince a potential franchisee that the franchise proposition is worthwhile and profitable. Consequently a franchisor must have a good track record. Only then will a sufficiently large number of prospective franchisees sign up, and only then can the franchisor ask for a reasonable joining fee and percentage of sales towards chain management costs.

In the usual franchise agreement, the franchisor takes 10% of sales by way of fees. In the Kwik Kopy chain of print shops, franchisees have to pay 6% of sales for management services and 4% for advertising and marketing—of which 2% is refunded to the franchisee (at its option) for local advertising. Franchisors usually make it clear that the agreed percentage of sales is described as a management fee—and not as royalty. It is not a payment to a passive owner but a fee paid by the franchisee to a franchisor who discharges an active managerial function for the entire franchise chain including the franchisee.

DETAILED SPECIFICATIONS

The major US fast food chains which have developed and perfected the franchising system over the past three decades lay down detailed specifications for the 'manufacture' process as also the decor and designs of restaurants and retail outlets so that they can be immediately identified by the customer and associated with the centralised advertising and sales promotion campaigns of the franchisor.

Yet, selecting the right franchisees is a very important part of the franchise business. Ideally the relationship should be based on a personal chemistry and mutual trust between franchisor and franchisee. Franchisees must be go-getting, risk-taking entrepreneurs rather than form-filling bureaucrats who are looking for shelter under the protective umbrella of the franchisor.

Paradoxically franchisees must be both conformists and non-conformists. They must be conformists to be able to fit into the franchisor's basic pattern in terms of manufacturing, advertising (remember the universally used slogan—'Drink Coca-Cola ice cold') and distribution (remember the red Coca-Cola ice boxes seen in the remotest towns). But at the same time they must be able to work out appropriate localised sales promotion campaigns and perhaps tailor the standardised product to suit local tastes.

By definition a franchise agreement is a joint venture between a franchisor and an entrepreneur with the franchisor discharging the role of the major shareholder who presides at the head of the table. Not every business lends itself to franchising, but many businesses do, particularly soft drinks, doughnuts, ready-made garments and service industries such as hotels. And where it is applicable, it offers the surest and fastest route to growth on a relatively small capital base. The important thing is to hit upon the germ of a workable idea through which a franchise chain can be forged.

THE NEWS

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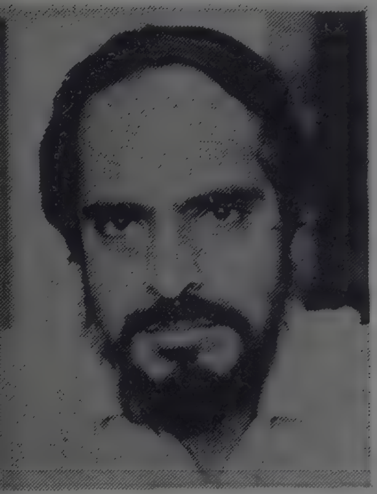
BusinessWorld
August 18—31, 1986

New lawyers' magazines

DARRYL D'MONTE



Journalists can be forgiven for imagining that they are in the forefront of the battle for civil liberties. They are much more visible than the others in the fray. And if the campaigner in question happens to be an editor, he can also choose when to surface — whether on the news or editorial pages. By contrast, lawyers have been rather reticent about presenting themselves before the public.

But no more. Bombay, which is really the magazine capital of the country, has this year seen the birth of two lawyers' monthlies which, contrary to what readers may believe, are lively and provocative. Indeed, the concerns of the journalist and the lawyer can be said to have partly coincided with the publication of these two magazines. What is more, they unintentionally complement each other.

Lex Et Juris, published by Maneck Daver and Mahesh Jethmalani, represents the views of the liberal legal establishment. Its editorial board consists of such luminaries as Y.V. Chandrachud, the former chief justice of India, Soli Sorabjee, D.M. Harish, Upendra Baxi and Ram Jethmalani. Indeed, the Jethmalani family figures prominently in the magazine, with a column titled 'Rights of the Despised' by Mahesh Jethmalani's celebrity father Ram, and features on the legal rights of women by Mahesh's sister, Rani.

REFORMING ZEAL

Lex Et Juris is far more professionally produced than *The Lawyers*, brought out by the Lawyers' Collective. It opts for all the familiar trappings of magazine journalism — glossy colour covers, a back page interview ('Persona Grata') and, last but by no means least, a large number of advertisements. Mahesh Jethmalani writes that the magazine was born out of two compulsions: "An entrepreneurial instinct that the Indian Bar was ready for a magazine of its own; secondly, a feeling of abject despair that the Indian legal system was irretrievably crumbling under the collective weight of decay, elitism, corruption and malpractice... a reforming zeal will bring substance to its skeletal structure."

Of particular interest to media-watchers is Soli Sorabjee's article in the June issue (the second) on the right to know. As journalists realise fully well, governments thrive in a situation where facts are suppressed. What appears by way of answers to questions in Parliament, for instance, is only a tiny fragment of the whole truth, meticulously doctored by officials who present the information. As Sorabjee points out, the right to know, enshrined in Article 19 of the Constitution under the general freedom of expression, "includes within its compass the collective right of the community, the right of citizens to read and be informed, to impart and receive and have access to information."

The Lawyers, behind which is the indefatigable spirit of activist-advocate Indira Jaising, is entirely different. It looks at people's issues 'on the ground,' as it were, rather than from above. In the most recent issue (July), the journal investigates the deaths of two prisoners in Bombay and establishes very convincingly that the first was due to police brutality and the second, a suicide, committed because the first death was pinned on to a life convict. This was territory considered the beat of the prying journalist and proves, yet again, how the concerns of the two 'estates' are beginning to overlap. Incidentally, it is worth speculating what were the reasons for the press not pursuing this case with as much vigour.

There is a great deal of basic information — not just 'legal' but socio-political — in *The Lawyers* which should be of great interest to all responsible citizens, such as facts on medical and industrial issues. For instance, it highlights and dangers of Nat-Oen, an injectible contraceptive, to which women's organisations have taken objection to the extent of filing a writ petition in the Supreme Court. In addition to the legal details, there is information on the contraceptive itself — something, one suspects, with which *Lex Et Juris* wouldn't concern itself. For lawyers specifically, notes on legal issues are published in grey and numbered separately so that they can be filed for reference.

VALUABLE PRECEDENT

Inevitably, in both journals, cases fought by the lawyer-publishers (and their family members) figure prominently. Thus Ram Jethmalani waxes eloquent in the pages of *Lex et Juris* on 'Espionage and Fair Trial' and 'The Anatomy of Terrorism,' while Jaising deals with the rights of the homeless (pavement and slum dwellers) and the successful case she fought on behalf of Rajashree Jamge, who married against her father's will. The case has established a valuable precedent in that it upholds the right of a woman who is a major to marry a man of her choice.

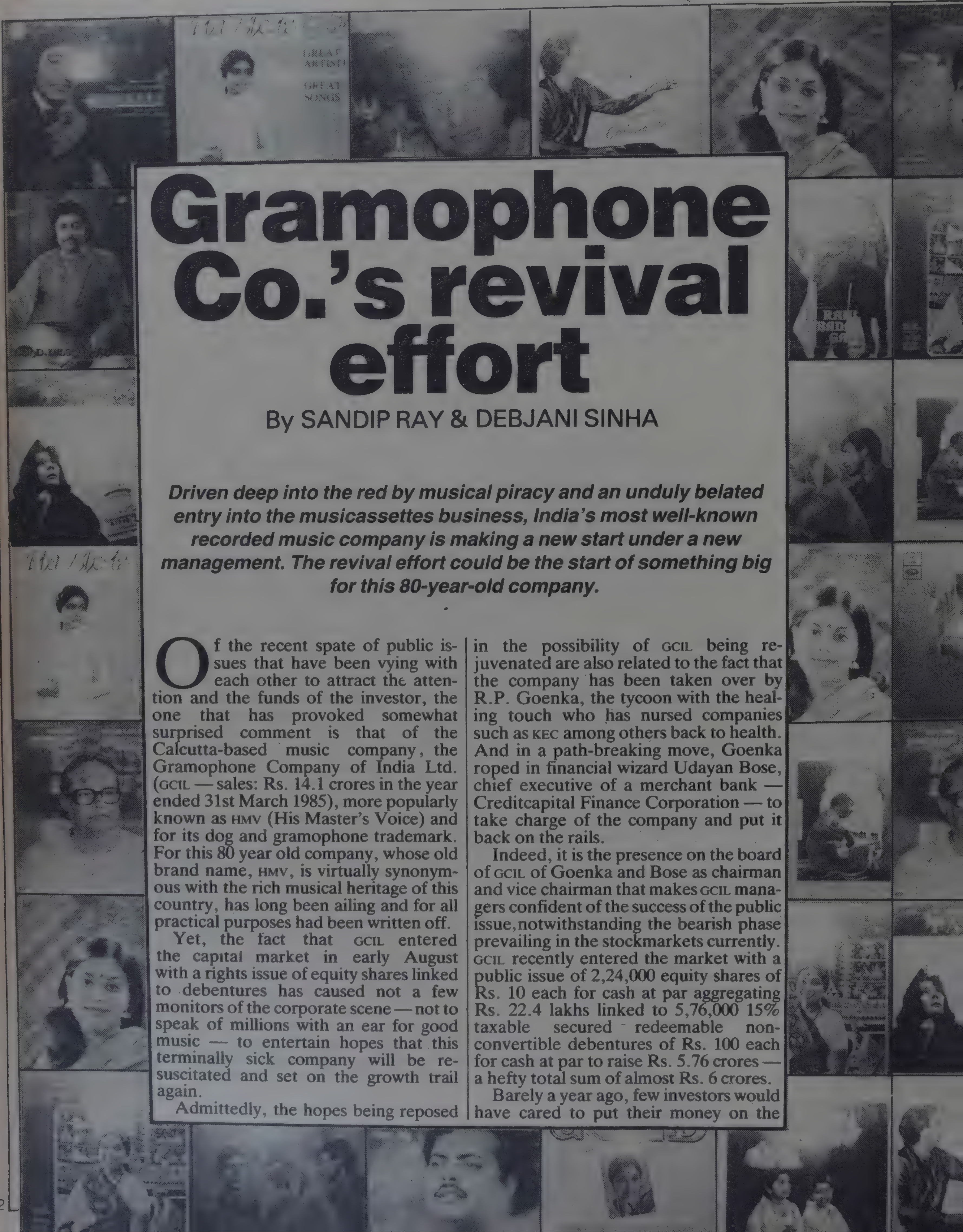
Disturbingly, as Anand Grover points out in *The Lawyers*, this case shows up the press in a very poor light. The editor of the Marathi daily *Loksatta*, Madhav Gadkari, took it upon himself to campaign for Rajashree's father to see that "justice was done." He stated that if Rajashree, who was a minor when she eloped, was allowed to be freed from the institution, Bapnu Ghar, where she was originally ordered to be lodged by the Bombay high court, she would be reduced to the status of a *rakheli* (mistress). *Loksatta's* campaign was earlier partly instrumental in pressurising the courts to act in the father's favour — a highly questionable manipulation of 'public opinion.' Gadkari actually started a legal fund for the father in his columns, which met with "overwhelming response."

The Lawyers asks: "Is it justifiable for an editor of a widely circulated daily to write vitriolic and provocative criticisms of the happenings in court during the pendency of proceedings? If such criticism is likely to adversely affect one side or another, does this not amount to wilful abuse of the process of law and consequently to contempt of court?... The courts were being informed about the 'voice of the people.' They were being told what to decide."

The Lawyers doesn't pronounce judgement on the journalistic ethics of such biased campaigns. But it does ask whether such press reporting "leads ultimately to a denial of justice and whether the press should be made accountable before all possible forums for such short-sighted behaviour."

Till now, the media has contented itself, self-righteously, with berating all and sundry in the legal profession: quite rightly, the boot in this case is on the other foot.

BusinessWorld
August 18—31, 1986



Gramophone Co.'s revival effort

By SANDIP RAY & DEBJANI SINHA

Driven deep into the red by musical piracy and an unduly belated entry into the musicassettes business, India's most well-known recorded music company is making a new start under a new management. The revival effort could be the start of something big for this 80-year-old company.

Of the recent spate of public issues that have been vying with each other to attract the attention and the funds of the investor, the one that has provoked somewhat surprised comment is that of the Calcutta-based music company, the Gramophone Company of India Ltd. (GCIL — sales: Rs. 14.1 crores in the year ended 31st March 1985), more popularly known as HMV (His Master's Voice) and for its dog and gramophone trademark. For this 80 year old company, whose old brand name, HMV, is virtually synonymous with the rich musical heritage of this country, has long been ailing and for all practical purposes had been written off.

Yet, the fact that GCIL entered the capital market in early August with a rights issue of equity shares linked to debentures has caused not a few monitors of the corporate scene — not to speak of millions with an ear for good music — to entertain hopes that this terminally sick company will be resuscitated and set on the growth trail again.

Admittedly, the hopes being reposed in the possibility of GCIL being rejuvenated are also related to the fact that the company has been taken over by R.P. Goenka, the tycoon with the healing touch who has nursed companies such as KEC among others back to health. And in a path-breaking move, Goenka roped in financial wizard Udayan Bose, chief executive of a merchant bank — Creditcapital Finance Corporation — to take charge of the company and put it back on the rails.

Indeed, it is the presence on the board of GCIL of Goenka and Bose as chairman and vice chairman that makes GCIL managers confident of the success of the public issue, notwithstanding the bearish phase prevailing in the stockmarkets currently. GCIL recently entered the market with a public issue of 2,24,000 equity shares of Rs. 10 each for cash at par aggregating Rs. 22.4 lakhs linked to 5,76,000 15% taxable secured redeemable non-convertible debentures of Rs. 100 each for cash at par to raise Rs. 5.76 crores — a hefty total sum of almost Rs. 6 crores.

Barely a year ago, few investors would have cared to put their money on the

juvenation of GCIL. Huge accumulated
sses aggregating Rs. 10 crores caused
dwindling sales of its diminishing re-
rtoire in records and cassettes, a surp-
s workforce amounting to around 500
orkers in its various comatose units and
her seemingly unsurmountable prob-
ms had aged the eastern sector dow-
er company. But despite its fading
arm, once the company's erstwhile
anagement took the decision to seek a
nancial partnership with an indigenous
siness house in order to inject a much
eeded dose of funds to cure its ar-
riosclerosis, a bevy of suitors lined up
tside its door including the Mahindras
d the Birlas.

The full story of how takeover tycoon
.P. Goenka finally pipped the Birlas
d the Mahindras at the winner's post
ay never be told. Goenka finally tied
e knot with GCIL on 17th November
985. And for a company which seemed
estined to end up an ageing wallflower,
turned out to be a two-in-one alliance.
or Goenka invited Udayan Bose (37),
e managing director of the Bombay-
ased Creditcapital Finance Corpora-
on to run the company on a manage-
ent contract.

SPECULATION QUELLED

Soon thereafter, a matter of fact state-
ent issued from Goenka's office on 6th
eptember 1985 quelled all speculation
bout the terms of the alliance and the
umours that were doing the rounds in
alcutta's corporate circles. "Mr. R.P.
oenka and Mr. Udayan Bose
merchant banker from Bombay) are
leased to confirm that they are actively
onsidering extending financial support
nd management assistance to the
ramophone Company of India Ltd.,
ith a view to reviving the same. In due
ourse, they would consider subscribing
o the new equity shares that may be
ssued sometime next year by the
ramophone Company of India Ltd., to
aise funds for the revival of the unit. At
o time acquisition of any existing equity
hares is contemplated," said the note.

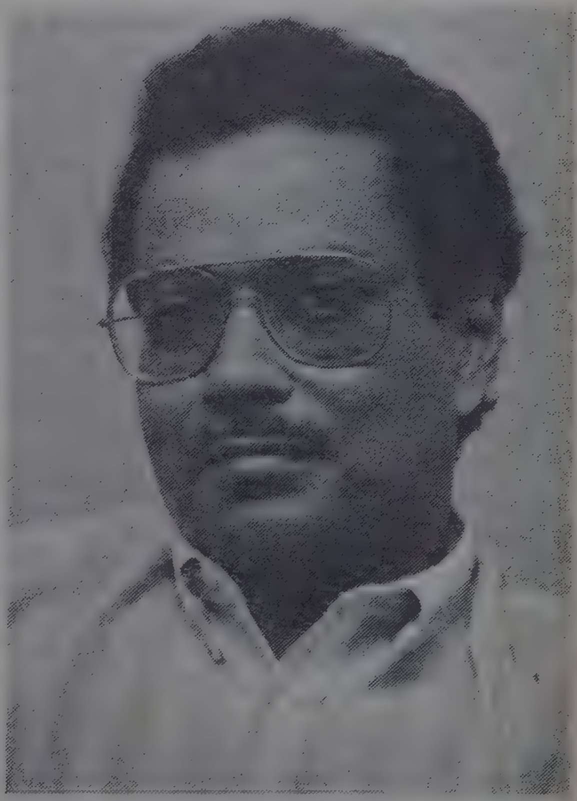
And while Calcutta's and Bombay's
ocktail circuits were abuzz with gossip,
he first note of optimism was sounded
y Bose. "I am of course delighted that
his transaction has gone through. The
ompany has enormous potential which
ve from the outside have not been able
o fathom — what it needs are inputs of
morale and sound management, market-
ng expertise and finance. After all it has
he repertoire, it has the name and most
of all it has the artistes, and the public
still loves the old dog and gramophone
symbol," said Bose at a press conference
soon after accepting the appointment to
the position of vice chairman of GCIL.

Their initial viability study indicated that there was a great deal more than mere cause for hope. Says Bose, "It is really a case of initiating a fat-shedding exercise which has already been put into operation. Our idea is to induct and involve professionals in every sphere of the company's operations, and with a tight sharp operation, we envisage we should be able to wipe out the accumulated losses by March 1987."

Thus, with R.P. Goenka firmly in the saddle and Bose as vice chairman, GCIL has moved quickly to restructure its activities as well as diversify into new lines of business. Following the appointment in November 1985 of Pradip Chanda (41) — an individual with a formidable track record in marketing — as chief executive, the company's hitherto lacklustre departments of sales, marketing, finance and business development have been injected a stimulant with the induction of a new group of young professional executives to head them. Nor is a new management team the sum total of the rejuvenation package which Goenka and Bose have devised for GCIL.

Indeed, of the many restorative changes which have already been introduced and of others which are still in the pipeline, it is the company's proposed diversification into the manufacture of a whole new line of products which has most enthused the recently inducted management professionals of the company. Comments Chanda, "We propose to launch a whole new range of products such as wooden furniture, engineering equipment, electronic systems, the Kenwood range of household appliances such as food processors and mixers, and audio-magnetic tapes apart from shoring up our main line of business — i.e. producing recorded music. The new product manufacturing units will be vertically integrated into the company's complex at Dum Dum. This enlarging of our production base is part of a two-pronged strategy to reactivate all of GCIL's quiescent divisions and reabsorb workers who have been retrenched during the last few years."

Bose: enormous potential



Chanda: new product range

ASSET UTILISATION

But though GCIL is poised to radically expand its product mix, Chanda emphasises that what GCIL intends to achieve is neither diversification in the usual sense of the term nor is it undertaking forays into businesses with which the company is wholly unfamiliar. "The company fortunately has in its possession a number of assets comprising land, skilled manpower and workshop facilities. Our intention is to redeploy our available manpower and unutilised material facilities inherited over past years to ensure optimum usage of these facilities. Except for the proposed audio-magnetic tape plant, no other programme will entail any major addition to our existing production facilities. Available equipment in our various divisions will at best be supplemented by balancing equipment. In simplistic terms, it is really an asset utilisation philosophy that we are

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propagating and translating into business opportunities," says Chanda.

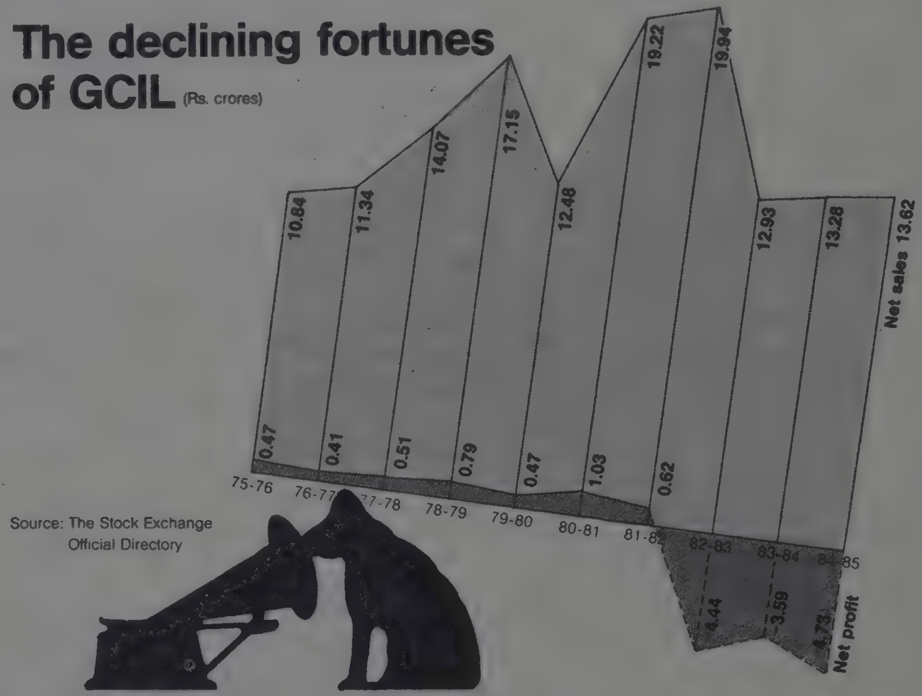
But though the new leadership emphasises that GCIL's new activities are motivated by the need to redeploy the company's human skills and material facilities which already exist, that there is a basic change in the corporate philosophy is acknowledged by all. In realigning itself to the fast changing mood of the marketplace, GCIL's infrastructural resources will no longer be used only to prop up the company's music business.

Comments P. Chakravorty (51), corporate advisor, who joined GCIL a few months ago, following several top-level stints with Jessops, Cycle Corporation of India, and the Dalmia Group of Industries: "The divergent product lines have been specially chosen to ensure that they can operate independently of the music business. In due course, these will emerge as separate profit centres. Of course, music will still remain GCIL's mainstay — and the contribution to the revenue from this traditional line of business in the foreseeable future is likely to be 70% while the rest will be shared by the newer divisions."

Chakravorty: separate profit centres

But if GCIL's musical activities are underplayed today by an inimical environment, no one can deny that for over 80 years, GCIL or HMV as it was earlier known, had enjoyed a sizeable musical prominence — ever since its inception in 1901. In that year, the Gramophone Co. Ltd., UK, established a branch in India. A factory was set up in Calcutta in 1907 to manufacture records and gramophones. Subsequently in 1925, the Dum Dum factory (Calcutta), which still exists, was constructed and in 1928 the products manufactured were marketed under His Master's Voice (HMV) and Columbia trademarks.

The Indian company — Gramophone Co. of India Ltd. — was incorporated in 1946 and became a public limited company in 1968. The company's operations which then mainly comprised the recording of music, pressing of records and the manufacture of record players, continued to ride the crest of a boom through the sixties and the seventies. Then came the cassette boom and a critical series of events which led to the mid life crisis which almost pushed the company over the edge. Completely unprepared to meet the changing consumer preferences ushered in by the cassette era, the company which had dominated the industry for over eight decades suddenly found itself floundering.



The declining fortunes of GCIL (Rs. crores)

Source: The Stock Exchange Official Directory

In essence, the root of GCIL's crisis can be traced to an external phenomenon — the gradual replacement of the record by the pre-recorded cassette as the cheaper repository of recorded music. The dawning of the cassette era ushered in a period of instability in the music industry in the late seventies in this country. Responding to this changing scenario, GCIL set up a musicassettes division in 1978-79 with a licensed capacity to manufacture 1.2 lakh cassettes per annum.

However — misguidedly, as it turned out — for the next few years, the then GCIL management continued to rely on its already established pressed record business utilising only 25%-50% of the capacity of its cassettes division. This disproportionate reliance on records in which the public was rapidly losing interest inevitably hit the company's bottomline. In 1980, pressed record sales dropped drastically to 4.89 million from the previous year's 8.05 million. But this ominous trend seemed to have been reversed when the sales of pressed records dramatically increased to 7 million units the next year, propped up by major successes with music from films such as *Pakeezah*, *Bobby*, *Hare Rama Hare Krishna* and the immensely popular *Disco Deewane* from teenage wonder Nazia Hassan. However, the consequences of a major switch in the public preference for recorded cassette music soon asserted themselves. In 1985, the company's record sales plunged to 3.12 million units.

In a desperate if belated bid to pull itself up by its bootstraps GCIL stepped up its musicassettes production to its full capacity. But to little benefit. For, by then, a formidable phalanx of foes had consolidated their presence in the national market: music pirates who have all but eroded the organised sector industry's foothold in both the indigenous and foreign markets. Thus in 1983, when despite a substantial production of musicassettes that year (about 1 million) GCIL sales severely diminished along with that of its records, GCIL's bottomline swiftly changed hues with the company recording an "unprecedented loss" of Rs. 4.25 crores.

This sudden plunge into the red took its toll on all the divisions of the company. The fall in the demand for pressed records also set off a chain reaction which drained GCIL's record player division. During that period, the production of record playing instruments fell from 71,931 units in 1982 to 9,866 in 1985. And when its consumer electronics product (CEP) division at Dum Dum, which manufactured and assembled the electronic elements of the record player, closed down in 1983, it rendered idle the two other divisions in the complex — the light engineering unit which manufactured motors and other turntable components and the wood-works shop which prepared the wooden cabinets and speakers. Consequently, the Dum Dum complex was left with over 500 surplus workers from the three moribund divisions.

SOFT MANAGEMENT

Not that such a crisis was completely unexpected. For instance, the CEP unit, the backbone of the record players division, had been vulnerable since the late sixties when musicassettes first hit the music business in the West. A decision to close down the unit had been taken as early as 1968, but inevitably it was opposed by the workers. The soft management which could have exercised one of the two options — to upgrade the unit with advanced technology or close it down — preferred to drag its feet. Eventually, the Bombay-based Tata Consultancy Services was roped in to suggest a panacea but its recommendations for a substantial investment in the existing unit and in R&D efforts were ignored.

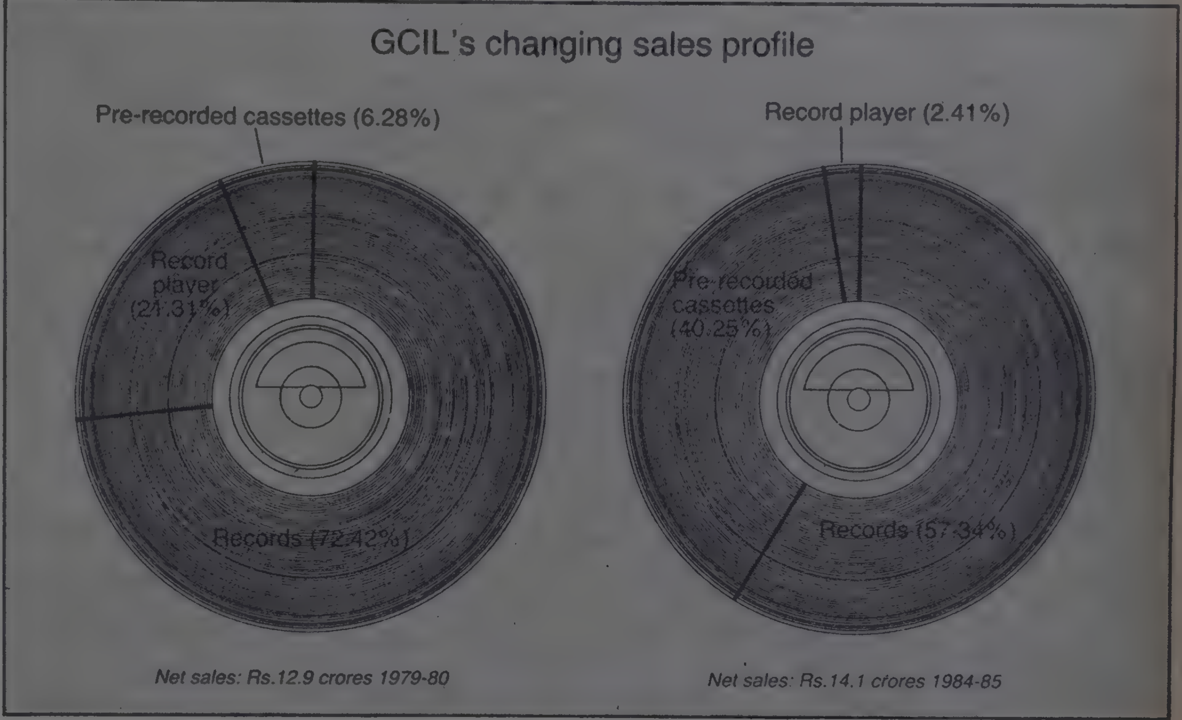
Thus, with no commensurate response, in the latter half of the seventies GCIL's own variety of record playing equipment became obsolescent compared to that of competitors such as Philips, Sonodyne and Cosmic. To compound the company's problems, an exodus from the senior management cadre also contributed to pushing the company deep into the red in the early eighties.

In 1983, Anil Sud, the then chief executive who had been associated with the company in its glorious previous decade, was forced to bow out in controversial circumstances. Mahindra Dave, a Los Angeles-based financial consultant who replaced Sud also threw in the towel 12 months later. To bridge the gap the parent company, the London-based Thorn-EMI sent out one of its own men — Peter Brown, a British expatriate — to mend the breach until Chanda took over at the end of 1985. But in the meanwhile, the executive exodus had almost been completed.

Thorn-EMI with its headquarters miles away from its far-flung subsidiary, is also to blame for the Indian company's gradual decline. Unable to grasp the realities of the Indian marketplace, the parent company was much too slow in responding to the changing demands of the Indian market, claim GCIL personnel with hindsight.

Sud, who piloted GCIL's destiny through the seventies has his own explanation why the languishing CEP division was allowed to become a terminal case. "The obvious choice was to expand the ambit of the unit's activities to manufacture other product lines. But by the late seventies, EMI itself had already experimented with several non-musical products — and the results had not been satisfactory. Thus, even when we pressed our reluctant parent company to be allowed to venture into new businesses such as the manufacture of colour television sets, the Kenwood brand of domestic appliances and video cassette recorders all of which were manufactured and marketed by Thorn-EMI in Europe, London remained unyielding, primarily because of its own unpleasant experience with diversification. As a result, GCIL was left high and dry."

Dave however has a different story to tell. According to press reports that emanated during his regime, the company was not equipped to undertake any diversifications.


GCIL's changing sales profile

Whether GCIL's diversification plans were practicable or not, at that stage — a debate that students of corporate strategy will have to resolve — the GCIL experience does however bring into focus a common situation — the problems that a company faces when its decision-making centre is situated on foreign soil. Explaining the crisis of 1983 in his speech at GCIL's annual general meeting, the chairman of EMI Music (a division of Thorn-EMI) Bhaskar Menon admitted that one of the major problems was that GCIL's management "was located thousands of miles away in the UK from where it has at best a hazy perception of the Indian industry's realities." And the fact that the Indian music sector was operating in an environment substantially different from that which EMI had to contend with in the western world in which it was firmly entrenched was certainly a factor that contributed to GCIL's debacle.

Even as GCIL was recovering from these shocks, the entire legitimate music recording industry in the country was being severely threatened by the rapidly proliferating phenomenon of music piracy. Nor were matters improved by the Union budget of 1982 which imposed a massive 26.75% excise duty on musicassettes. Music pirates, whose jobs had been made very easy by rapid changes in sound recording technology not only had the advantage of not paying excise but also of avoiding the 13% royalty commitment and 15% average sales tax. The consequence was inevitable: a wide margin between the prices of the pirated and legitimately produced cassettes with the prices of the former often as low as a quarter of the latter. This came as a hard blow to the music industry.

While GCIL fought the pirates on one front, by 1980 the company's position as the market leader in the music recording business was challenged as well with the emergence of latter day music companies such as Music India Ltd. and CBS Records. But because of its long established credentials, the company was not unduly perturbed by the intensifying competition within the organised sector and continued to command a 65% share of the domestic market for recorded music. However, by 1982-83, it was no longer a case of age versus beauty since the infighting amongst indigenous music recorders had been made almost completely irrelevant by the pirates. For by this time, numerous pirate producers had grabbed 95% of the market for recorded music (see box p.76).

But if the corporate vicissitudes of the past few years have demoralised GCIL

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The music piracy menace

When the original Indian Copyright Act was promulgated in 1957 with the objective of preventing the misappropriation of literary and musical property, it was effective in protecting the musician and lyricist against plagiarisation. As long as the gramophone record remained the sole medium, music piracy was a small business primarily because any attempt at copying music would have involved the manufacture of records — a capital intensive business involving high overheads and labour costs. Till about 1980, practically the entire domestic market for recorded music (with sales aggregating Rs. 20 crores then) consisted of records. But within the next two years when the pre-recorded cassette deluged the world market, the recorded music industry's business took an almost 180° turn.

Firstly, the industry suffered a delay in obtaining licences to manufacture musicassettes. This situation was further compounded by the terms of the licences granted which with characteristic official short-sightedness imposed an obligation on the industry to export 75% of the total production. Thus, with the directive to sell only 25% of its limited licensed capacity indigenously, a considerable shortage of supply resulted in the market. And it was this gap between supply and demand which allowed music pirates to flourish, since the low capital cost musicassette production technology made it far easier to start up small scale recording units.

Official folly. But despite the emergence of the pirates, the legitimate industry could still hold its own for some time, since the industry manufactured quality musicassettes which were priced low enough and the reproduction of the pirated products were not yet of an acceptable quality. This situation, however, changed dramatically in 1982 because of another official folly. In that year the Union budget imposed an excise duty of 26.75% on musicassettes, and consequently the price gap between the cassettes of legitimate manufacturers and pirated cassettes widened dramatically. For, despite the cost of raw materials being equal for both manufacturers, the pirates not only evaded the payment of excise duty but also escaped the 13% royalty payment and an average 15% sales tax.

Not surprisingly, faced with unequal competition from pirated cassettes the sales of organised sector music companies plummetted, sending more than one manufacturer plunging deep into the red. Since then, after a great deal of clamouring, the high rate of excise duty was finally abolished in 1984 and the Copyright Act amended to make piracy a cognisable offence.

But the financial picture was not changed substantially for legitimate manufacturers, who have already spent several lakhs of rupees in the battle against pirates — a battle in which they have also enlisted the moral support of lyricists, musicians and performers without noticeable effect. The average consumer still prefers to buy low-priced spurious cassettes, and the pirates themselves continue to thrive on the administration's indifference in implementing the amended copyright law.

> **'But what is indeed unsettling is that of the total musicassettes sales revenue only a meagre 5%-10% accrues to organised sector industry while the pirates garner all the loot'**

Today, of the indigenous recorded music market sales of an estimated Rs. 280 crores annually, musicassette sales account for a 95% share. But what is indeed unsettling is that of the total musicassettes sales revenue only a meagre 5%-10% accrues to organised sector industry while the pirates garner the rest of the loot. In fact pirates have a distinct advantage over the organised sector in that besides being able to freely copy all the music the copyrights of which vest with companies in the organised sector, the pirates can also "design" tailor-made products which are instant commercial successes.

Today, the business of piracy is not only highly profitable but is also meticulously organised. Some of the big-time pirates have allegedly acquired sophisticated cassette duplicating machines which are curiously allowed into the country under the open general licence (OGL) scheme of imports and have established a distribution network which extends deep into rural areas which organised sector industry is unable to penetrate largely due to prohibitive costs.

The most organised pirated business is conducted under the brand name of T series. Various other pirates also operate in the market, under names such as A-1 series, Doll, Plaza and G-series.

Main barrier. Though the organised sector music industry has been exercised about the piracy menace, the main barrier to tackling the problem is the difficulty of obtaining incriminating evidence. The other difficulty arises from the sheer dimensions of the problem. As the task of proving illegitimacy rests primarily with the complainant, to have to produce copyright evidence for each pirated tune and pursue a snail paced process of litigation for each case verges on the impossible.

However, in the recent past a special anti-piracy cell, headed by a lawyer and an executive, has been set up in Bombay by the Indian Phonographics Industries (IPI) which is an association of representatives from the major music companies such as GCIL, Music India, CBS Records and others. The IPI is receiving financial and operational help from the International Federation of Phonographics Industries (IFPI) which has done a great deal by way of controlling and even eliminating piracy from a number of countries such as Greece and Pakistan, in the recent past.

With the help of IFPI, the IPI is confident of succeeding in India as well. Specifically, the IPI now periodically notifies the names of pirates to a number of authorities including the Union minister of industries, the director general of technical development, the secretary of the department of electronics, and the director general of economic offences in the Union ministry of finance. In another effort to evolve a strategy to combat piracy, IPI also plans to conduct a series of seminars for the police and vigilance authorities.

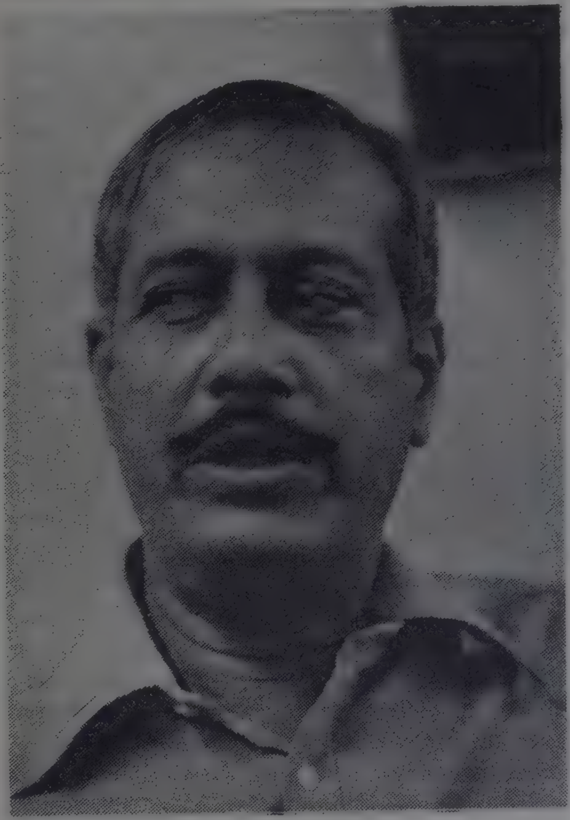
As a preliminary step, IPI has drawn up a plan which entails constant surveillance for a year, surprise raids and the destruction of pirated cassettes on the spot. But the help of the hitherto apathetic law enforcement authorities will be needed to make these multiple strategies effective. And it is anybody's guess as to whether these authorities will shake off a cosy and profitable slumber and protect a vital industry.

managers, the company still has behind it a rich history of growth and a deep rooted cultural reputation which a troubled passage has not been able to entirely obliterate. Through its *entente* with numerous artistes, its patronisation of countless popular melodies in different dialects, and a treasured repertoire of classical folk and devotional themes collected over the years, HMV continues to remain a symbol of almost all that is good in Indian music. These resources are GCIL's best bet, given the necessary finance and managerial inputs, to effect a turnaround in its fortunes.

Acknowledging this debt to history which is likely to evoke positive consumer response to GCIL's new ventures, Nirmal Chattopadhyaya (53), advisor (business development) one of the new crop of executives inducted over the last few months into the company remarks, "An organisation which already exists in the people's psyche before it makes a fresh start must consider itself fortunate."

Deputed to take charge of GCIL's new business diversifications, Chattopadhyaya — who has worked in diverse areas such as design, production, finance and international trade with organisations spaced as far apart as Metal Construction (West Africa) Ltd. in Nigeria, and Wimco, the Tata group and Usha Telehoist in India — was recently in the US to meet several individuals connected with the furniture industry including wholesalers, retailers, designers and architects with a view to exploring the potential for furniture exports from India. The response, according to him, has been favourable. "The variety of designs offered by GCIL was received enthusiastically by several prospective US buyers. If the proposed long term arrangements are accepted, the wood-works division will soon enter into production of quality modular furniture and GCIL can hope to earn around $4 million from furniture exports," he says. Not that the domestic market will be neglected either. "We are looking into the furniture needs of a number of hotels and restaurants within the country also," adds Chattopadhyaya.

Chattopadhyaya: fortunate organisation



Likewise, the dormant light engineering unit is poised to be reactivated to manufacture specialised equipment and the manufacture of fractional horse power motors, booster pumps and automotive parts. And with the revival efforts on in full swing, the CEP (consumer electronic products) unit, which has so far remained GCIL's most troubled division, also promises to stage a recovery. A collaboration with a Japanese company is on the agenda for the manufacture of sophisticated audio equipment such as car stereos, amplifiers, speakers, micro-component music systems and electronic fire alarms. With the aid of available technology from Thorn, a foray into electronic home appliances manufacture is also on the drawing board.

Another long overdue project now about to get off the ground is the manufacture of magnetic tapes. This Rs. 4.5 crore project which is being undertaken in technical and financial collaboration with Capital Magnetic Products, USA will have a licensed capacity to manufacture 2,000 mrm or around a million cassettes a month. GCIL's equity contribution to this joint venture will comprise the unutilised 10 acres of excess land within the company's Dum Dum premises — a practical application of its "asset utilisation" philosophy.

REJUVENATION EFFORT

But while the array of GCIL's diversification activities are yet in the pre-implementation stage, positive evidence of the rejuvenation effort is evident in the fact that the expansion of the musicassettes division of the company has already been implemented. Early last year, with the installation of a high speed cassette duplication unit procured from Electrosound, USA, the capacity of this division was increased from 1.2 million to 10 million cassettes per year. And with a total capital expenditure of Rs. 1.5 crores, certain vital accessories such as the printing and packaging division and the quality control unit have also been revamped.

Hand in hand with the regeneration of the music division, efforts have been made to devise innovative and imaginative promotional techniques (for music) which has meant venturing into a "number of hitherto untried avenues." "Our new approaches intend primarily to give listeners greater accessibility to our music," says Sujit Kumar (30), marketing manager of GCIL who joined the company early this year after a stint with Jenson & Nicholson.

> **'... positive evidence of the rejuvenation effort is evident in the fact that the expansion of the musicassettes division of the company has already been implemented'**

An economics graduate of St. Stephen's College and an alumnus of IIM-Ahmedabad, Kumar explains GCIL's latest thinking: "We are now trying to observe the growth of the popularity of a tune, to map out the geographical region where it becomes popular and finally to estimate the volume of sales that can be expected in that particular region. With this three-cornered information base, we will be able to identify and monitor the demand pattern of our new numbers. But of course before all this can be done, the music must reach the listener through various market channels."

Consequently, apart from effectively utilising the traditional audio media such as the household radio, a number of innovations are about to be tested. "One can appeal to the musical sense of book lovers by setting up music exhibits at the bookshops they are likely to frequent. Perhaps this approach will attract the attention of serious music lovers. For the general listener, maybe the emphasis should be on a somewhat more conspicuous and popular approach such as arranging consumer contests, or concerts and live shows by musicians and film personalities. We already have plans to launch a number of live shows," says Kumar.

ENLARGED BASE

In keeping with its fresh perception of consumer realities — now evident in its innovative promotional schemes — the company's sales strategy has also been realigned with changing consumer behaviour. Over the last five years, the total music market in the country has grown phenomenally (from Rs. 20 crores in 1980 to an estimated Rs. 200 crores in 1986) largely due to an enlarged consumer base that has spilled over into the medium and low income groups and ex-

GCIL's English parent

Headquartered in London, Thorn-EMI plc, which owns 39.84% of the equity in the Calcutta-based Gramophone Co. of India Ltd. (GCIL), is one of the world's most broadly diversified transnationals. In the year ended 31st March 1985, its total sales turnover touched a massive £3,204.4 million (Rs. 6,152 crores) on which it posted a pre-tax profit of £108.3 million (Rs. 207.4 crores), over a third of it derived from the company's overseas operations in more than 30 countries.

Large network. Active in such varied areas of business as television and video recorder rental and retail operations; telecommunications; the manufacture of information technology products and semiconductors; music and the production of recorded video entertainment; the manufacture of commercial and home appliances and lighting equipment, the Thorn-EMI group is represented in over 140 countries worldwide. This large network of companies employs around 70,000 individuals in the UK alone and about 20,000 personnel in its overseas subsidiaries and affiliates.

However, the company's multi-faceted make-up is of rather recent origin. Since 1898 when it first came into existence as the Gramophone Co. of the United Kingdom, it had until recently specialised mainly in the recording and production of music. Even after the company was transmuted into the Electrical & Musical Industries Ltd. (EMI) in 1931, marking the beginning of its involvement with electronic products, music remained its forte.

Indeed, it was the EMI group which was responsible for the discovery and promotion of an entire roster of highly acclaimed musicians such as the Beatles, Paul Robeson, Nat King Cole, Ravi Shankar and M.S. Subhalakshmi, among many others. Even today, when recorded music is no longer its sole activity, the company continues to work with a highly successful array of performers, while maintaining more than a dozen recording studios and about 25 factories worldwide producing recorded music in all its various formats.

However, the decade of the seventies witnessed some major changes in EMI's activities. These changes were forced primarily by the oil price shock of 1973 which crippled consumer spending across the world, which in turn affected the music industry adversely. But even when consumer spending picked up towards the end of the decade, the industry's plight did not improve comparably. For by then three major developments made life less than easy for music producers — cassette piracy, computer games and the domestic video which had entrenched themselves in the consumer durables market.

Major amalgamation. In anticipation of these changes from the mid-seventies, EMI made a brave attempt to diversify into the manufacture of magnetic tapes, and also into hotels, bingo halls, cinemas and the Golden Egg chain of restaurants. But these attempts were only marginally successful and in order to strengthen itself, EMI went into a major amalgamation with the Thorn Group in 1979. The latter brought into the group its sophisticated consumer electronics technology and its Kenwood brand of home appliances.

Since then Thorn-EMI has grown to include 14 principal subsidiaries which are fully owned, and about 10 other companies in which it has a less than 100% equity stake. Simultaneously the amalgamated company has increasingly diverted its interests into the areas of information technology, telecommunications and consumer electronics. Not surprisingly, these product groups contributed to nearly half the £3,204.4 million (Rs. 6,152 crores) garnered in 1985 of which EMI Music, the music subsidiary, contributed about £582.4 million (Rs. 1,118 crores).

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tended well into the suburbs of metropolitan cities and satellite towns.

Recognising the need to capitalise on this trend, Indrajit Biswas (41), national sales manager who joined GCIL last May says, "The main requirement for improved sales today is to increase product availability, to spread oneself out as much as possible. Earlier, a handful of dealers or even one dealer in each city could handle the volume of trade. But now it is far more effective to have smaller dealers handle the sales of the suburbs in addition to major city-based ones."

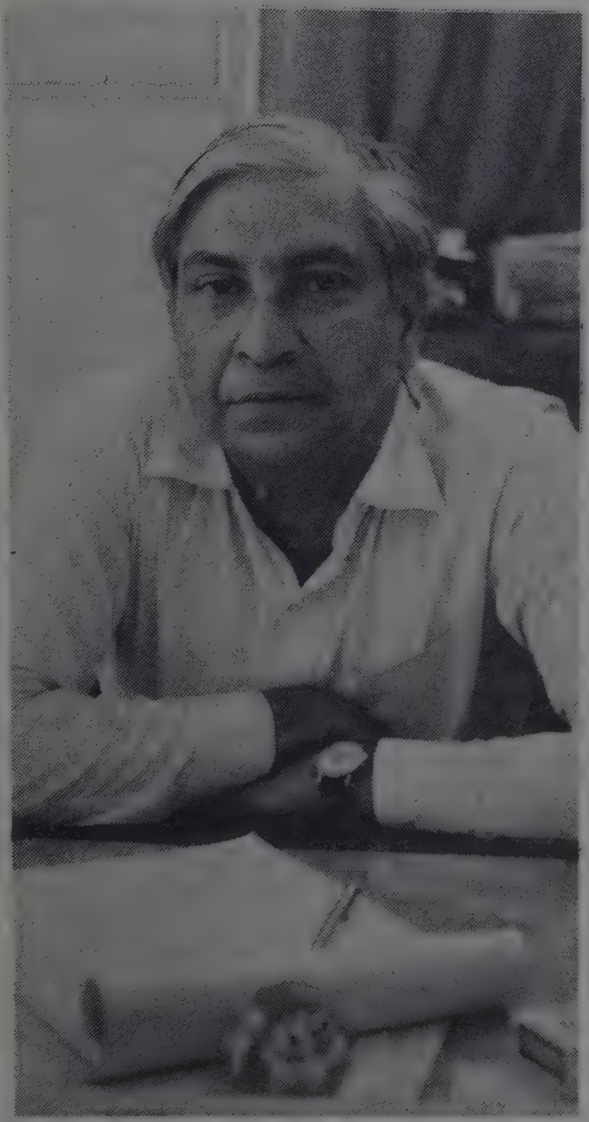
A political science graduate of Calcutta University and an alumnus of IIM-Calcutta, who has had a career in sales and marketing with Shaw Wallace and the Duncan group prior to his present assignment, Biswas feels that GCIL's need of the hour is a more personalised service for the company's dealers. "The point is to visit them more frequently, and check their demand patterns on a regular basis."

Indeed in the last few years, one of GCIL's problems has been that of aligning its sales with production. Following the exodus of a number of executives in 1983 when the company entered its dark period, the departments of sales and marketing had been denuded of managerial talent. Consequently, promotional campaigns which had earlier been one of GCIL's strong points, began faltering. The exodus of several salesman as well also hit GCIL's field promotion activities hard.

Biswas: expanded clientele

P.K. Banerjee (48), vice president (sales and marketing), who has been associated with GCIL for nearly 26 years, recollects: "By 1983, the entire music industry was reeling from pirate attacks. While the national market for recorded music continued to expand, we were forced to watch helplessly from the sidelines. At the same time, our own sales and promotional efforts were severely curtailed due to a shortage of finance as well as personnel, leading to even greater complications."

Besides a shortage of hands and shoulders to share the corporate burden,



Banerjee: restricted dealer network

GCIL's high speed cassette duplication unit at Dum Dum: in-built strengths

> **'A singular good fortune of the company is that unlike other ailing industrial houses of Bengal GCIL's operations have never been affected by intractable trade union militancy or a discontented workforce'**

GCIL's traditionally restrictive policy in choosing its dealers had also taken its toll. "Until recently, we had been somewhat selective in our choice of dealers and were perhaps too soft even with those who did not deliver," says Banerjee.

Despite this, during the nine year period 1976-85, GCIL's dealership network had shrunk to a mere 200 dealers — a third of what it was during its heyday. Now with a full-bodied sales department supervising dealer development, the dealer network has been expanded to a sizeable 1,300 while the promotional effort concentrates on conveying the sensory experience of music through traditional and non-traditional media.

RESOURCES DRAIN

But of all the dilemmas confronting the new look GCIL management, perhaps the most pressing one — which has caused a regular annual drain of resources since 1983 — is its need to redeploy its 500 odd surplus workers. This consideration has inevitably cramped the company's style and influenced not a few of GCIL's plans to diversify into projects which would absorb these workers. But despite its best intentions, GCIL has been able to re-employ only a fraction of the 500 idle workers in its expanded musicassettes division.

Comments Jayanta Moitra (40), national manager (technical services) of GCIL, who has been associated with the company for over a decade, and who has supervised the cassette unit expansion exercise: "Such an attempt to relocate workers in areas to which they had never been exposed obviously poses a problem of retraining. Much also depends on a worker's natural capacity to re-adjust to a changed work situation. While some adjust quickly, others take longer. We have not faced any untoward problem in redistributing our workers — a fact which may be considered more than unusual in such circumstances. The only constraint is that the process of retraining takes up precious time which could be used more productively."

GCIL managers' task has been made considerably easier by the workers themselves who have been uncharacteristically receptive to the management's new plans. Indeed, a singular good fortune of the company is that unlike other ailing industrial houses of Bengal, GCIL's operations have never been affected by intractable trade union militancy or a discontented workforce. Thus, even though the prevailing mood amongst GCIL workers currently is one of uncertainty, there is an overall willingness to participate actively in the company's revival effort. "If all that the management plans to achieve does indeed materialise, not only will all of us have been re-absorbed but it would also call for fresh recruitments," comments one such worker optimistically.

Clearly, GCIL's favourable relations with its large body of workers (nearly 1,700) is an added advantage at a time when the company's new diversifications are at the pre-implementation stage — a phase that is fraught with uncertainties. But given the large fund of goodwill for the company in the marketplace, the tightening of anti-piracy measures and the new enthusiasm of its employees, there is hope for the future.

These in-built strengths developed over almost four decades have been resuscitated by the stimulants of the financial and managerial inputs of the Goenka-Bose combine. A new and glorious chapter in the troubled history of the company could well be in the process of being written.

LETTER FROM SRI LANKA

MANIK DE SILVA

A glimmer of hope

Three years after the bloody racial riots of July 1983, more than a glimmer of hope for a settlement of Sri Lanka's ethnic troubles has emerged, with President Junius Jayewardene pushing hard to negotiate an agreement to devolve some power to the country's Hindu Tamil minority that would also be acceptable to the predominantly Buddhist Sinhalese majority.

Jayewardene, backed by many major political parties, has signalled his determination to devise a workable formula. And India, whose support is essential for any peace plan, has made some discreet approving noises. But Jayewardene still has to contend with his major opponent, former prime minister Sirimavo Bandaranaike's Sri Lanka Freedom Party (SLFP), which has declared war on the proposals and the armed Tamil guerillas who the SLFP says have to be brought into line.

Package of proposals. In his first public speech since he began direct negotiations with the Tamil United Liberation Front (TULF), the major political party of the Tamils—many of whose leaders have been living in exile in the south Indian city of Madras since 1983—Jayewardene indicated that he does not intend placing the package of proposals he is putting together before the country at an election or referendum as Bandarnaike has demanded.

While conducting his bilateral talks with TULF, the president is running a political parties conference—which the SLFP and one of its small socialist allies are boycotting—through which he expects to achieve what consensus he can on the deal now in the pipeline.

"The problem has to be solved, not by being frightened or giving in to war or violence," Jayewardene said on 20th July at a Buddhist temple ceremony at Ratnapura, a gem-mining and plantation district south east of Colombo. "It has to be resolved by granting rights where necessary to enable every citizen to live without difficulty in an undivided Lanka."

In a 10 page letter to Jayewardene, Bandaranaike spelled out her party's objections to the government's proposals which she said had been unanimously rejected by the SLFP's executive and central committee. "In view of the serious impact the proposed system (of power devolution) would have on the country for generations to come, I would insist that you seek a mandate from the people before you go ahead with these proposals. But I must stress that the SLFP has been, and is, always for a political solution: not at any cost, however," the former prime minister said.

The thrust of Bandaranaike's argument is that the proposals to devolve some of the central government's powers to elected councils in the country's nine provinces had been devised at a time of "deep uncertainty and weakness," with the government helpless in the face of Tamil separatist terrorism in the Tamil-dominated north and east.

It is conceded by all parties to the continuing discussions that the devolution plan will be expensive. But as one senior minister stresses, there is no way out. Finance minister Ronnie de Mel, who is fighting to keep the economy afloat in the face of hugely escalating defence expenditures due to the war in the north and the east and plummeting tea revenues, argues peace is vital to the country's very survival. "All those who obstruct peace will go down in history as traitors to this country," he says.

Direct talks. Reports from Madras indicate that Tamil guerilla leaders are willing to come to Colombo for talks, and two leaders of left wing parties, opposed to the Jayewardene government but backing it strongly on its peace effort, have had direct talks with the rebel leaders in Madras.

Jayewardene has maintained his position that a linking of the northern and eastern provinces into a single unit on devolution, as demanded by the Tamils, will not be possible and that the demand is non-negotiable. TULF leaders have indicated that a compromise could be the detachment of some Tamil speaking areas in the eastern province—whose population comprises Sinhalese, Tamils and Muslims—and their attachment to predominantly Tamil northern province. Eastern province Muslims, who are Tamil speaking, have made it clear that they do not want to be dominated by Jaffna, the northern capital, in any devolution arrangement, and it remains to be seen whether a workable arrangement can be made.

MAURITIUS

Stiff price tag

The Indian Ocean state of Mauritius has rarely figured in the foreign policy concerns of this country, notwithstanding its substantial population of people of Indian origin. The visit of prime minister Rajiv Gandhi to Mauritius in the first week of July is therefore likely to be interpreted as signalling the beginning of a new chapter in the history of bilateral relations between the two countries. The focus of discussion between Gandhi and the Mauritian prime minister Aneerood Jugnauth was, not unexpectedly, the highly emotive issue of apartheid in South Africa—an issue on which both countries seemingly share a common platform. Yet, there are differences in the strategic compulsions of the two countries which are likely to make it difficult for the two nations to forge closer ties.

As leader of the non-aligned movement and also because of this country's historical associations with the anti-apartheid movement, India's stand on the need for a coordinated and concerted effort by the international community to make the Pretoria regime see reason is unambiguous and well known and was reiterated at the recent meeting of the two prime ministers. Summing up India's perception of the South African problem, Gandhi wondered whether the end of apartheid would come in an "explosion of violence and a welter of bloodshed or whether hundreds of thousands of innocent lives can still be saved by a more peaceful transition to majority rule."

Economic implications. On the other hand, Mauritius' official concurrences with India's well-known stand that only comprehensive and mandatory sanctions against South Africa can achieve the desired objective of ending apartheid immediately is circumscribed by the fact that South Africa is not only a major source of foreign exchange earnings for Mauritius, but also that it is one of Mauritius' most important trading partners. Jugnauth, speaking at the recent bilateral conference made it clear that his country has of necessity to consider the economic implications of comprehensive sanctions against South Africa.

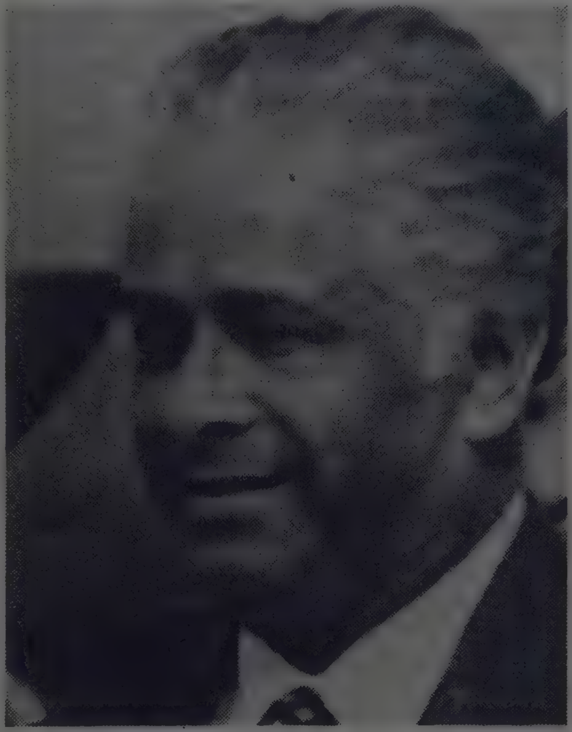
A measure of how little Mauritius' position has changed during the last two years is offered in an interview that Jugnauth gave to the magazine *Africa,* an economic and political weekly published from London, which was quoted in *The Times of India* (11th October 1984). In the interview, Jugnauth is reported to have defended his country's trade and tourism links with South Africa. He even affirmed then that Mauritius, faced with an unfavourable trade balance was actively engaged in promoting its goods and gaining a larger share of the South African market in an effort to bridge its trade gap with South Africa. From all available evidence, both the volume of trade between the two countries and the magnitude of Mauritius' trade gap have grown since then.

While precise figures of the volume of trade between the two countries are not readily available, the tourism industry, which is the third largest foreign exchange earner for Mauritians, is a reasonably accurate indicator of the importance of the South African connection. In 1985, the number of South African tourists visiting Mauritius numbered 27,180 out of a total tourist inflow of 149,460 *cf.* a mere 3,000 Indian tourists.

The island of Mauritius which is part of the Mascarene Archipelago in the South Indian Ocean, is approximately 880 km east of the Malgasay Republic and 2,000 km off the coast of Africa. The Mauritian republic which also includes several small island dependencies has a population of 1,020,749 (1985 estimate) with 69% of the citizens of Indian origin, while the remainder is accounted for by Creoles—a mixed race of African origin—(28%) and the Chinese and French who together constitute just 3% of the populace.

Mauritius, with a total land area of 1,840 sq km *(cf.* India's 3,166,829 sq km), has a predominantly agricultural economy with sugar plantations covering 980 sq km out of the total cultivable land of 1,052 sq km. Since conditions are generally not favourable for growing rice or wheat, there is little scope for their cultivation resulting in the necessity of importing these cereals on a continuing basis. The lack of mineral resources and its geographical isolation from the main sea routes of the international maritime trade are other serious constraints to the economic development of the republic. Consequently, the Mauritian economy is greatly dependent upon international aid and investment flows to finance development programmes.

Substantial grants. Of the two, aid and loans have accounted for a large part of the developmental outlays. The Mauritian government expects to receive substantial grants totalling Mauritian Rs. 276 million (M Re. 1.00=0.85p.) during 1985-86 with the US being the most munificent donor contributing M. Rs. 134 million; while India (M. Rs.30 million), France (M. Rs. 26 million), the European Development Fund (M. Rs. 26 million), Australia (M. Rs. 9 million) and Canada (M. Rs. 1 million) are also pitching in, albeit on a modest scale. Besides these grants, the Mauritian government also expects to receive foreign loans aggregating M. Rs. 718 million of which the major share is scheduled to come from the African Development Bank (M. Rs. 172 million) and India (M. Rs. 120 million).


Jugnauth: South Africa dilemma

With sugar contributing 60% of export earnings, the Mauritian economy would have been subject to the vagaries of the international commodity market but for the Lomé Convention which governs Mauritian sugar exports to the EEC countries. According to the protocol on sugar exports under Lomé III, the Mauritians are assured of a guaranteed price for a significant portion of its exports—5,00,000 tonnes of cane sugar, raw or white—to the EEC. This is not an insignificant boon for the economy, since the total production of sugar aggregated 6,45,797 tonnes in 1985 and considering the fact that the current EEC price of £274.31 (Rs. 5,075) per tonne of sugar is much higher compared to the open market price of $100 (Rs. 1,200) per tonne on an average during 1985.

While successive Mauritian governments have been concerned with the development of an industrial base on the island, the progress in this area has been far from satisfactory. While infrastructural facilities such as road networks, port services and communications are well developed, the manufacturing goods industry is hampered by the small domestic market which makes economies of scale impossible to achieve. On the international market as well, the absence of any sizeable cost advantage makes the export of manufactures uncompetitive.

Though Mauritius is in the enviable position of having unrestricted access to the markets of the EEC countries by virtue of the Lomé Convention, local entrepreneurs have not been able to take full advantage of these trade opportunities. In an effort to attract foreign capital, 1985 saw a large number of industrial promotion tours being undertaken by various ministers and official delegations wooing investors from the US, Taiwan and Hong Kong.

In 1985, also, the total value of Mauritian exports was estimated at around M. Rs. 7,000 million while imports aggregated M. Rs. 8,100 million leaving a trade deficit of M. Rs. 1,100 million. Not surprisingly, this must be a matter of prime concern for Jugnauth, who heads a left of centre coalition government comprising members of the Militant Mauritius Movement and the Mauritian Socialist Party.

The Mauritian government, while successfully resisting demands from the IMF to devalue its currency last year had to yield to the pressure exerted by the the latter and reduce the price subsidies on rice, flour and sugar, a not wholly palatable sacrifice for the general population.

Necessary incentives. Against this background, the coalition government of Jugnauth is unlikely to be able to persuade the citizens of the island that the pursuit of sanctions against South Africa is politically necessary or economically justifiable. Indeed, unless India, which is pressurising Mauritius to impose sanctions, provides the necessary economic incentives to Mauritius to compensate for the inevitable loss of trade and foreign exchange earnings, it is unlikely that the small and remote island nation will oblige.

In the course of discussions between the two premiers, the Mauritian head of state has in fact emphatically put forward such a view. According to Jugnauth, India would be called upon to play a major role in the economic growth and development of Mauritius, in the event of sanctions against South Africa coming into effect. At present India hardly imports anything from Mauritius whereas its exports to the latter aggregated M. Rs. 165 million

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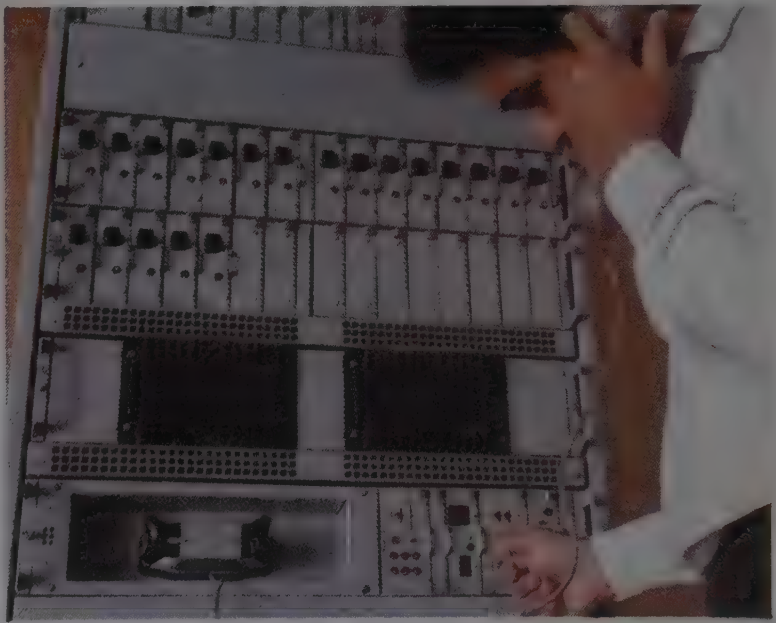

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during 1985. According to newspaper reports the Indian prime minister has agreed to consider a series of measures to help rehabilitate the Mauritian economy in the event of Mauritius agreeing to the imposition of mandatory sanctions against South Africa.

Given the ethnic links between India and Mauritius and the size of the Indian economy, it will be none too difficult for India to replace South Africa as a trading partner and make a substantial contribution to the Mauritian economy. In this context, the Jugnauth's suggestion that Indian tourists visiting Mauritius may be permitted to Indian rupee funds is well conceived and can lead to the development of an Indian rupee trade agreement between India and Mauritius with consequent advantages to both countries.

Considering the fact that India has been championing the cause of south-south cooperation, Indian efforts to expand the volume of trade and commerce with Mauritius will be a step in the right direction and a not inconsequential one to the cause of developing of bilateral trade relations among third world countries.

S. Chandra Kumar

WORLD ECONOMY

Frightened capital

In recent months, there has been a great deal of discussion about the phenomenon of capital flights from the developing countries which, it is contended, has added to the liquidity problems of the debt-ridden countries. However, till very recently, no quantitative assessment was made of the volume of flows involved.

The Morgan Guaranty Trust Co., New York, in its March 1986 issue of *World Financial Markets* has now put a number on this dismaying trend. The magazine notes that "capital flight is a serious problem for a number of LDCS, (lesser developed countries) depriving them of resources for economic development and symbolising the poor policies and performance contributing to external debt troubles."

The magnitude of capital flight, according to Morgan Guaranty's computations, is truly staggering. Eighteen developing countries (see table) are estimated to have suffered capital losses of $198 billion (Rs.2,37,600 crores) during the decade ending 1985. More importantly, of the $198 billion, the bulk i.e. $145 billion (Rs.1,74,000 crores) of the outflows occurred between 1976-82. Incidentally, this period also coincided with the period when most Latin American countries and several other third world nations were borrowing huge sums from the international capital market. During the period 1983-85, total capital flight aggregated $53 billion (Rs.63,600 crores). Thus, the volume of capital outflows slowed down once the debt problems of these countries attained crisis proportions.

Gigantic proportions. Not surprisingly, Morgan Guaranty analysts argue that capital flights had a bearing on the debt problem of the countries that were studied. According to the study, the external debt of these 18 countries increased by $451 billion (Rs.5,41,200 crores) during 1976-85. But for these capital outflows, the third world debt problem would not have attained the gigantic proportions it has today.

Heading this list of 18 countries is Mexico, with total capital outflows aggregating $53 billion (Rs.63,600 crores) followed by Venezuela $30 billion (Rs.36,000 crores) and Argentina $26 billion (Rs.31,200 crores). Others which witnessed a sizeable outflow of funds included South Africa, Brazil, India, South Korea and Malaysia. Again, of the total of $198 billion, $123 billion (Rs. 1,47,600 crores) or 62% was accounted for by the 10 Latin American countries, again not coincidentally the region which accounts for almost 45% of total third world debt.

The Morgan Guaranty estimate of the volume of capital outflows of $198 billion is being hotly contested by several countries, most prominently by Mexico. Jeff Gerth, writing in the *International Herald Tribune (IHT)* (10th June) says that Miguel Mancera, governor of Mexico's Central Bank expressed "some serious caveats with respect to the estimate" of Mexican capital flight by Morgan Guaranty but also acknowledged that it had "reached important dimensions in the past."

However, more recently the conclusions of the Morgan Guaranty study received support from the highly respected *Asian Wall Street Journal (AWSJ)* (7th July) which quotes a special study published by the International Monetary Fund (IMF). Says one *AWSJ* editorial writer: "While officials of third world debtor nations contend that bankers and others in industrial nations talk too much of capital flight from developing countries, the IMF suggested that the capital flight may have worsened in 1985... Developing countries expanded their deposits with international banks by $11 billion (Rs.13,200 crores) last year. Although this was well below a $20 billion (Rs.24,000 crores) increase for such transfers in 1984 the IMF statistical report showed that nearly all of the increases last year represented deposits by individuals and other non-bank owners of assets in the developing nations. In 1984 most of these transfers involved inter-bank transactions between banks in third world countries and industrial countries."

Capital outflow estimates

(US$ billion)

	Total	**1976-82**	**1983-85**
Argentina	26.00	27.00	(1.00)
Bolivia	1.00	1.00	0.00
Brazil	10.00	3.00	7.00
Ecuador	2.00	1.00	1.00
Mexico	53.00	36.00	17.00
Peru	0.00	(1.00)	1.00
Uruguay	1.00	1.00	0.00
Venezuela	30.00	25.00	5.00
South America (Sub-total)	**123.00**	**94.00**	**31.00**
India	10.00	6.00	4.00
Indonesia	5.00	6.00	(1.00)
Korea	12.00	6.00	6.00
Malaysia	12.00	8.00	4.00
Nigeria	10.00	7.00	3.00
Philippines	9.00	7.00	2.00
South Africa	17.00	13.00	4.00
Thailand	0.00	(1.00)	1.00
Total for 16 countries	**198.00**	**147.00**	**55.00**

Source : Morgan Guaranty Trust Co., New York Worl Financial Markets, March 1986

Why do flights of capital occur? Several reasons have been advanced to explain capital flights from the developing countries. However, most analysts agree that political instability, overvalued exchange rates, mismanagement of the economy and large scale corruption are mainly responsible for the flight of capital. Analysing the reasons Barnaby J. Feder in *IHT* (12th June) explains: "Studies have shown that political upheavals, dismal economic performance and speculative greed all encourage capital flight." Jeff Gerth, referred to earlier, writing in the *IHT*

(10th June) in explaining the Mexican debt problems, notes, "According to public documents and US law enforcement officials, Mexican drug traffickers have deposited billions of dollars in American banks and other financial institutions in recent years."

Illegal evasion. Any serious discussion of the phenomenon of capital flight requires first a good definition of the term, but not everyone agrees as to what is a capital outflow. According to Morgan Guaranty analysts, "Capital flight can be defined as the reported and unreported acquisition of foreign assets by (the) non-bank private sector and some elements of (the) public sector. This is an expansive definition in that it includes foreign currency, working balances of local enterprises engaged in international trade and trade credits extended directly by local exporters to foreign importers." Obviously, all categories of money covered by the above definition cannot be considered as capital outflows in the literal sense as capital flight involves wilful and illegal evasion of national laws.

According to Feder (quoted earlier), (*IHT*, 12th June), "Some say that capital flight occurs any time a party other than a bank or government purchases foreign assets... Others say that it makes more sense to focus on abnormal acquisitions of foreign assets which would exclude such activities as Japanese investors diversifying into American securities as their savings accumulate or foreign exporters building up dollar accounts in periods when trade with the United States is rising... (such investments) should be distinguished from capital flight, which often involves illegal efforts of individuals to accumulate wealth where it can neither be taxed nor touched by their governments."

Among the various ways in which capital flight occurs, underinvoicing of exports and overinvoicing of imports are the two more important ones. At times, commissions paid to an agent for setting up a joint venture in a third country is also used to siphon off money from one country to another.

An editorial writer of the *AWSJ* notes (28th May), "More commonly flight capital arrives by a less direct route, first being filtered through banks, lawyers and holding companies in countries offering anonymity through secrecy laws and low—or no—taxes. These include the Netherland Antilles, Switzerland, the Bahamas and Panama."

"Frightened money." Interestingly, the bulk of outflows are apparently channeled into the US which is regarded as being a safe haven for such 'hot' money. "While Switzerland has long been regarded as the primary refuge for 'frightened money' many experts believe that most flight capital eventually winds up in US banks, securities and real estate. Like traditional foreign investment, it has been drawn there lately by low inflation, political security, high real interest rates and the most liquid financial markets in the world," sums up the same editorial writer.

"Quite disgusting. Thank God for our Swiss accounts"

Morgan Guaranty analysts provide some typical examples of capital flight in *World Financial Markets* (March 1986): "Argentina in 1983-84, when underreporting of exports is thought to have been a main channel for capital flight; Malaysia in 1976-84, when reported exports fell roughly $10 billion (Rs.12,000 crores) short of their FOB value recorded by trading partners; and Nigeria in 1979, when reported oil exports were about $4 billion (Rs.4,800 crores) less than volume and price data implied."

Having explained the concept of capital flight and quantified it, Morgan Guaranty analysts concede that "only a fraction of the specific assets accumulated through capital flight can be identified. According to estimates drawn up by the Bank for International Settlement and the IMF, bank deposits held by the non-bank entities in the 18 countries surveyed in foreign banks "aggregated to nearly $63 billion (Rs.75,600 crores), an increase of about $15 billion (Rs. 18,000 crores) in less than three years. Approximately half of all identified deposits (were) held in banks in the United States... Undoubtedly, there are additional holdings in US and foreign banks by residents of these countries, but their use of addresses or intermediaries in countries other than their own prevent identification."

Irrespective of the inadequacies of identifying capital flights there is no doubt that there is a close correlation between capital flights and the worsening of the debt servicing capability of these countries. According to Morgan Guaranty analysts, the gross external debt of Argentina would have been only $1 billion (Rs.1,200 crores) by end 1985 instead of $50 billion (Rs.60,000 crores) if capital flights had not taken place. The figure for Mexico's debt would have declined to $12 billion (Rs.14,400 crores) and not grossed $97 billion (Rs. 1,16,400 crores) and Venezuela would have added to its foreign assets by $12 billion (Rs.14,400 crores) rather than having a debt portfolio of $31 billion (Rs.37,200 crores), and so on.

Unless a major part of the money deposited by non-bank entities is brought back, countries with large external debts will find it extremely difficult to service these debts. As Morgan Guaranty analysts believe, "Had the earnings on foreign assets acquired through capital flight been repatriated, rather than reinvested abroad, the servicing of existing debts would have been facilitated. Moreover, foreign debt accumulation would have been much smaller in the absence of capital flight."

MGK

SINGAPORE

Stockmarket clean-up

Sweeping reforms of Singapore's securities industry "to achieve a proper balance of prudential control and self-regulation," in the government's words, appear to go further than the authorities intended in clearing up the mess left by the collapse of Pan-Electric Industries last November. Stockbrokers, merchant bankers and lawyers say that the Securities Industry Act, passed in March, contains fundamental difficulties in its wording that could strangle Singapore's nascent international bond market and hurt the stock exchange.

Certain high ranking officials believe such talk is alarmist and that objections can be answered in regulations under which the Act will operate. Comments about the proposed regulations from interested parties were received by the attorney general in late July. A reliable source says that a "very large number of proposals" were sent and it may take some time before they can be accounted for in the regulations. The Monetary Authority of Singapore (MAS) says the Act and the regulations will come into operation some time in August.

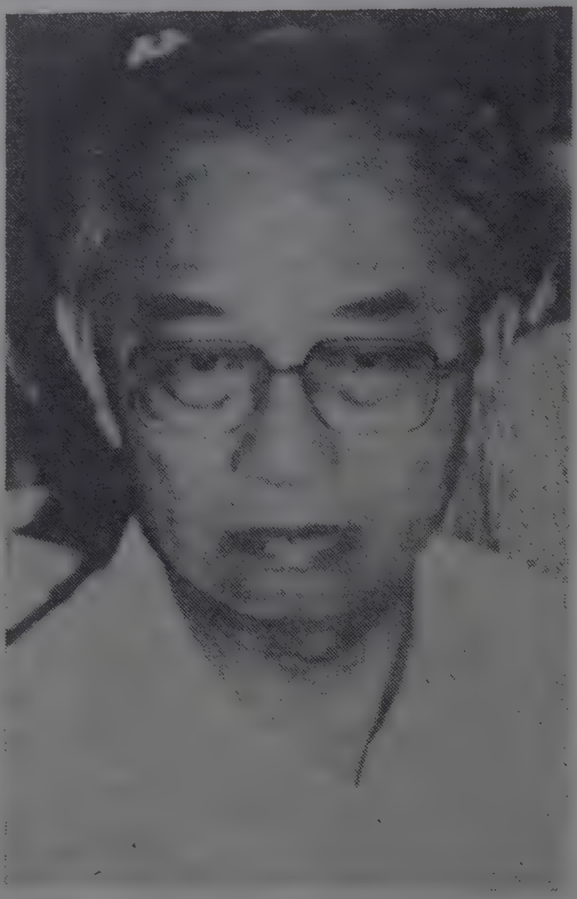
But some lawyers and corporate advisers do not believe that a set of regulations, no matter how finely worded, can make up for what they regard as a badly drafted piece of legislation. Finance minister Richard Hu told parliament in March that "if certain features of the bill turn out to be overly restrictive, I would be quite happy to introduce amendments." Practitioners suggest that a trial and error approach may, at the very least, deter foreign bond dealers and underwriters from setting up in Singapore.

The city state may lose valuable time in its attempt to compete with Hong Kong and Tokyo, they say. Other merchant bankers and bond dealers are, however, assuming the law will be intelligently administered and are not concerned about its effect on their securities business.

The government is keen for Singapore to take advantage of the worldwide trend towards the securitisation of debt. Total funds tapped through note issuance facilities and revolving underwriting facilities arranged in Singapore amounted to US $2.1 billion (Rs. 2,520 crores) in 1984-85. There were seven issues of floating rate US dollar negotiable certificates of deposit worth US $245 million and three issues of Asian dollar bonds.

Three aims. The Securities Industry Act, which replaces a 1973 statute of the same name and a section of the Companies Act, has three aims: to supervise the stock exchange of Singapore (SES), to regulate the conduct of business by stockbrokers and investment advisers, and to police trading in the securities market. The MAS is granted much wider powers over the SES to prevent a recurrence of the sort of massive share manipulation which occurred ahead of the collapse of Pan-El.

Few have quarrelled with the intention to clean up the local stockmarket. Where marketeers part company with legislators is over the government's attempt to introduce an all encompassing law for domestic and international securities business done in Singapore. Their differences concern basic definitions and that part of the 98 page statute dealing with the conduct of securities dealing.



Hu: amendment offer

Under the Act, 'securities' are defined to include bonds issued by a government or corporation and "any right or option in respect of any such ...bonds." Lawyers say that a futures contract in US treasury bonds which will begin trading on the Singapore International Monetary Exchange in October, will therefore be covered by the Act. An earlier version of the bill containing a clause specifically excluding futures contracts was, for some reason, dropped from the version eventually passed.

The Act appears to outlaw the making of a bond market on a television screen. Under s.15, a 'stockmarket' is defined so widely as to include a geographical location 'or a facility' and to include all forms of 'security.' It is up to the finance minister to declare a market exempt from the Act. S.49 stipulates that all securities transactions must be accompanied by a contract note which is liable to stamp duty. Merchant bankers say this levy will drive away securities business.

Ethical standards. The most contentious area concerns ss. 50-54 relating to ethical standards of securities business. First, a dealer, investment adviser, dealer's representative or investment representative must disclose his interest in any securities which he recommend This is likely to be impossible for lar investment houses to comply with. addition, they must have a reasonab basis for making their recommendatio Such a basis includes an obligation c such firms to find out their client investment objective, financial situatio and particular needs. If somebody su fers loss or damage arising from th recommendation, the adviser can b sued.

This makes recommendations in respect of such things as share transactions and takeover bids a very hazardous business. Prospectuses and circulars are distributed to thousands c investors, whose individual circumstances cannot be known. The Act ha already affected one major transaction namely the failed bid in May by Th Hong Kong & Kowloon Wharf Godown Co. for the remaining shares i Singapore's Hotel Marco Polo that did not own

In its advice to Hong Kong & Kowloon, Wardley, the merchant bank made no clear recommendation on th merits of the offer. Advice given b Baring Brothers Asia to the sole independent director was subsequentl circulated on the basis that the bank' recommendations were given to th director alone and not to any othe individual shareholder.

A reliable source says that some or al of these reservations are likely to be taken care of in the regulations unde which the Act will operate. S.2 gives the MAS the power to exempt "any specifie person" from the provisions of the Act But why has the Act created such uncertainty in the first place?

During the parliamentary debate in March, Hu said the bill had to be rushed through without the scrutiny of a select committee—on the grounds that investors would be able to use part of their Central Provident Fund savings to buy stocks starting in May, and that they needed the Act's protection as soon as possible. He said that a draft of the bill had been circulated last year but had been withdrawn, because of the vociferous opposition from stockbrokers to the threatened loss of independence.

Brokers say they had, indeed, objected to the wider supervisory powers given to the MAS, but they had also voiced their reservations to several other clauses contained in the newly passed legislation. With the subsequent collapse of Pan-El, brokers had neither the energy nor the authority to object to the bill a second time.

Under the old Act, the SES did not have to provide the authorities with statistical returns and the MAS, in turn, did not have access to stockbrokers' books. This autonomy has been removed. As Hu said in March: "In order to ensure that the exchange discharges its self-regulatory responsibilities diligently," MAS has been given reserve powers over the SES. It can amend rules and listing requirements; it can review disciplinary actions taken by the SES committee and take action against members if the committee does not.

The MAS also has the power to order a 'cooling-off' period by suspending trading in a counter if speculation in the share is deemed 'excessive.' Recalcitrant directors of broking firms and SES officers can be removed. In addition, the finance minister may appoint non-stockbrokers to the committee.

New provision. To supervise brokers, margin requirements will be prescribed by the MAS. Fund managers will be licensed and clients' investments will have to be kept in separate trust accounts. As for trading in the market, the Act outlaws insider dealing. It includes a new provision making it an offence whether or not the intention is to use the information to gain an advantage. A person found guilty is liable to a fine of up to S$50,000 (Rs. 2,90,000) or up to seven years' imprisonment. Securities dealers who fail to inform a client that they are acting as principal and not as agent are liable to a fine of as much as S$10,000 or two years in jail.

> **'The most contentious area concerns ss.50-54 relating to ethical standards of securities business. First, a dealer, investment adviser, dealer's representative or investment representative must disclose his interest in any securities which he recommends'**

As with all laws, much depends upon how wisely the MAS administers the Act. During the debate in parliament, one government party MP suggested that the MAS employ senior members of the stockmarket to help with the supervision of the exchange. Hu said the MAS is to set up a new unit staffed with "people experienced in the securities industry" to administer the Act.

Nigel Holloway
(By special arrangement with the Far Eastern Economic Review, Hong Kong).

BANKING & FINANCE

The rescue of Standard Chartered

Standard Chartered's last minute escape from Lloyds Bank's £1.3 billion (Rs. 2,405 crores) takeover bid on 12th July had just about everything the financial thriller writer could want. The world's biggest attempted bank takeover, fabulously wealthy oriental investors riding to the rescue, hurried meetings at airports and a nail-biting climax in the city of London.

But dramatic and unexpected as the outcome of the three month battle was, the real themes of the Standard story may well turn out to be rather more sobering ones: the ease with which a tiny group of well-heeled, determined investors can pick up a controlling stake in a major international bank, and the highly uncertain future which that creates for Standard.

In the UK this could well influence the shape of the new Banking Act which is currently under consideration and will contain a section defining controlling interests in banks. Abroad, particularly in the Far East where Standard is one of the biggest banks in many regional markets, the bank's federal character is bound to be loosened possibly to the point.

As he celebrated his victory in the afternoon of Saturday 12th July with Schroders, his merchant banking advisers, Michael McWilliam, the group chief executive, said: "Standard Chartered will never be the same again."

The tide in Standard's fight for sur-

The white knights

The three businessmen from Hong Kong and Australia who came to Standard Chartered's aid in early July showed that the bank can count on powerful friends. But their motives are far from clear.

Sir Yue-Kong Pao, who bought 14.9%, is Hong Kong's best known business magnate and one of the world's biggest shipowners. He is also a banker by training. At 68 he travels the world with a set of skipping ropes to keep fit and has amassed a personal fortune of over HK $3 billion (Rs. 480 crores). He would not have invested a fair portion of that in Standard without good reason since he does not have a reputation as a philanthropist.

Some observers in Hong Kong believe he may have been acting with the interest of the Hong Kong and Shanghai Bank in mind, with which he has been associated for many years. By frustrating the takeover, he could have made Lloyds Bank a ripe target for the Hong Kong Bank which is looking for a European acquisition. The alternative view—that he expects parts of Standard to be floated—is also echoed in the colony.

Tan Sri Khoo Tech Puat, the Malaysian businessman with interests in property, hotels and banking, is a long time customer of the Standard Bank, and since last week a 5% shareholder. He resides in Australia but is believed to want to shift more of his wealth to the UK, where he recently bought a 28% stake in Exco, the financial services company.

Bitter rivals. Although Khoo and Pao bought their stakes in Standard separately, the extent to which they might now cooperate as shareholders could affect the bank's future. They have been depicted as bitter rivals after their takeover clash last year over Wheelock Marden, the Hong Kong shipping and trading group, but are probably less hostile than thought. Neither sold his Standard shares on learning about the other's interest.

Robert Holmes à Court, the Australian who has 7.4%, is one of Standard Chartered's largest customers—the bank is financing his attempted takeover of Broken Hill Proprietary with an A$2 billion (Rs. 1,680 crores) credit facility. In Sydney, the view is that he decided to respond to Standard's call for help in order to protect a relationship that could have been jeopardised by a Lloyds victory.

Known as both an opportunist and a masterly financial tactician, Holmes à Court took over Lord Grade's Associated Communications Corporation in 1982 after a protracted struggle and now runs a worldwide business from his Perth base. He has also amassed large profits by dealing in substantial stakes in companies such as Ansett Airlines, Elders, IXL and Asarco. All three men were in London in early July and personally directed the acquisition of shares in Standard Chartered.

vival began to turn a week earlier when McWilliam received a telephone call from Sir Yue-Kong Pao, the Hong Kong shipping magnate, asking what he could do to help. McWilliam told him: "I'd like you to be a big shareholder by the end of the week." The same night Sir Y.K. who is 68 years old was on the Cathay Pacific flight to London. At 6 a.m. the next morning he met McWilliam at Gatwick Airport and they swung into action.

Biggest spree. By Friday, Sir Y.K. had spent over £180 million (Rs. 333 crores) buying up 15% of Standard's shares. He whiled away Saturday morning playing golf and flew home that night after what must rank as one of history's biggest shopping sprees.

Within a week Hong Kong-based shipping magnate Sir Y.K. Pao (left) spent over Rs.333 crores buying up 15% of Standard Chartered shares. On Saturday 12th July after whiling away the morning playing golf, Pao flew home that night after what must rank as one of history's biggest shopping sprees.

Standard's ability to summon its far Eastern friends turned out to be crucial. Tan Sri Khoo Tack Puat, the Malaysian businessman, bought 5%, Robert Holmes a Court of Australia's Bell group had 7.4%, 40 smaller Hong Kong customers had up to 10%. Even 'Tiny' Rowland of Lonrho got 2%. All told Standard could count on about 40% of the vote by Friday night, and none of its friends yielded to Lloyds' last minute efforts to turn them round.

But grateful though Standard must be for their aid, their motives and intentions are far from clear, particularly since they will all be sitting on large paper losses consequent upon the fall in the value of Standard's share on the London Stock Exchange from 775 p. on 11th July to 753p. on 25th July. In the minds of the Chinese investors, at least, there appears to have been genuine concern about Standard—which they have known and dealt with for generations—passing into the hands of Lloyds which has a mixed reputation in the Far East. The Chinese government is even believed to have asked the UK government why it was allowing the bid to go ahead.

But while some motives may be less easy to discern in the West, the investors' support could also owe something to the give-and-take that exists in all bank customer relations. McWilliam denies that Hong Kong businessmen have been offered 'funny facilities' in return for their votes. Some of the new shareholders are certainly long time customers of the bank. Tan Sri Khoo, for instance, has known Standard for more than two decades. Standard Chartered also put up an A$2 billion (Rs. 1,666 crores) facility—its largest ever according to McWilliam—to help Holmes à Court finance his bid in May for Broken Hill Proprietary. That bid is still in the air. Rowland was virtually set up in business by Standard Chartered in Africa.

Strong interest. Only Sir Y.K. is not a Standard customer, though as a former deputy chairman of, and now consultant to, the Hong Kong and Shanghai Bank, he has a strong interest in the shape of the colony's banking community where Standard ranks No. 2. Although suggestions that he wanted to save Lloyds for a later bid by the Hong Kong Bank seem a little far-fetched, he could now end up as the colony's biggest bank owner.

He will be offered a place on Standard's board. Whether the invitation will be extended to any of the other supporters remains to be seen. But Standard today is an institution with a dramatically different set of shareholders, some of whose motives and loyalt will be doubted by the market, bu whose taste for good returns on thei investments is not.

The most plausible explanation fo this sudden show of friendship is tha the investors have calculated the value of the many parts that make up Standard's far-flung global empire, and aim to realise them through some form o individual flotation. This may no amount to anything as dramatic as a break up of Standard Chartered. Bu over the course of the next year or so, there are bound to be major developments.

McWilliam has for some time favoured the idea of boosting value fo his shareholders by realising some o the group's assets which he believes are not reflected in the share price. So he would support, and possibly even lead, efforts to sell off parts of what he calls "the federation." "We have to make value work," he said, adding that Standard now wants to get its after tax return on capital up to 15% from 10.5% last year (Lloyds is expecting 17.7% in the first half of this year).

To start with, Standard could sell and lease back its new city headquarters in Bishopsgate. The Hong Kong business, which at the moment consists of 116 branches and £3.7 billion (Rs. 6,845 crores) in assets serving over one million customers, could be locally incorporated and partially floated on the Hong Kong Stock Exchange. Sir Y.K. would then have the option of swapping his interest in the group for a major stake in Standard Chartered (Hong Kong).

In the US, Union Bank, the California subsidiary now valued at close on $1 billion, might issue its own shares to finance its next acquisition rather than draw on the group's cash resources. In Singapore, Malaysia and Australia (where Standard has just been admitted as one of the first batch of 16 foreign banks), similar local incorporations would be possible.

Risky scheme. However, the drawback to any scheme in which the best parts of Standard were partially sold off is that it would leave the core of the group with the worst of the business. The bank would also be left holding all of Standard's cross-border lending, which could be risky, and virtually no direct source of retail deposits. Standard would still have to pay its dividends in pounds even though most of its earnings would be overseas. Whether such a scheme would get past Standard's board, many of whose members are still old empire as one observer puts it, remains to be seen.

A close, though silent observer of the events in early July was the Bank of England. Although the bank opened the way to the battle over Standard by raising no objection to Lloyds' bid in the first place, the outcome cannot be wholly satisfactory to Threadneedle Street. Under the present UK Banking Act, an investor is deemed to have a controlling interest with 15% or more. This is why Sir Y.K. stopped at 14.9% (though he was in close touch with the bank all week, and would be required by the takeover code to wait a week before buying more).

However, bank takeovers are particularly sensitive matters because of the danger of a loss of confidence by depositors. Although confidence in Standard has not been damaged, it must be a matter of public concern in Britain that effective control of a large bank can pass so quickly to investors on the far side of the world, some of whom may not be accustomed to investing in delicately turned banks.

The White Paper on banking supervision published last December proposed that any investor seeking to buy 15% or more of a bank must seek the prior permission of the Bank of England. In the subsequent debate about the White Paper—which will be transformed into a bill later this year—it has also been suggested that the 15% ceiling be lowered. The Standard episode could reinforce that view, particularly in cases where customers end up owning large stakes in their banks and exposing themselves to possible conflicts of interest.

New ground. As Britain's first major hostile takeover bid, the Lloyds-Standard tussle has broken new ground by showing that market forces rather than the will of the Bank of England now prevails. Because of that, tougher rules may be necessary.

The final chapter in Standard's story has still to be written, and it may contain some dramatic twists for a unique institution which straddles Britain's colonial past and some of the world's most exciting and modern markets. The outcome will depend on whether the friends Standard called in at 24 hours' notice will turn out to be the catalysts who change a business that has been built up over nearly one and a half centuries.

David Lascelles
(By special arrangement with the Financial Times, London).

LETTER FROM RIO DE JANEIRO **IVO DAWNAY**

New economic package

President Jose Sarney's emotional rallying call to the Brazilian nation on 23rd July was accompanied by a tumultuous downpour—the first rain the federal capital had seen since April. It is difficult to know what to make of the symbolism. Certainly, the president's wide-ranging development programme represents some kind of watershed for Brazil, its notoriously uneven distribution of wealth, its embryonic democracy—and more immediately, its current economic strategy.

But whether the programme's shower of ambitious growth targets and objectives falls on stony or fertile ground will depend to a large extent on the second, less palatable part of Sarney's message—the urgent need for a painful squeeze on the two greatest badges of Brazilian middle class prestige, the car and foreign holidays. The promise of jam tomorrow in return for swingeing price rises of up to 30% on cars, fuel, airline tickets and hard currency has not gone down well in the affluent suburbs of Sao Paulo and Rio de Janeiro. Nor does the president's promise to raise national living standards to match those of Mediterranean Europe cut much ice with those lucky few living on a par with Beverly Hills.

Fiscal package. But the marriage of the government's upbeat three-and-a-half year development plan with a series of credit-squeezing and investment-promoting measures was not simply a cynical act of political camouflage. Some sort of fiscal package was clearly an essential prerequisite for the achievement of Brazil's longer term goals as leaks in February's prize-freezing, anti-inflationary Cruzado plan began to feed through to the economy from an insatiable rise in consumer demand. The question preoccupying the economists' calculators, Brazilian industry, and most of all, the political opposition is whether the programme can be made to stick.

In choosing the course he did, the president has used up a considerable amount of the remarkable wave of goodwill that in February greeted the original anti-inflationary Cruzado plan. With elections due in November, the political stakes have risen markedly.

The so-called fathers of the Cruzado plan, including 34 year old US-trained Professor Persio Arida, now confess that although some account of the impact of an end to the inflationary illusion of high interest rates had been made under the Cruzado plan, it was not enough.

The latest package was however more than just a credit squeeze programme. It added the altogether more longsighted element of creating a national development fund, a holding agency for new resources due to be generated, in part, through a uniquely Brazilian cash-raising system of "compulsory loans." The loans—a 30% surcharge on new cars and 28% on fuel—are paid on the retail price at point of sale and, while accumulating interest, are only repayable in the form of shares in the fund at the end of three years. Even then, the government will not redeem the shares, but will simply allow holders to negotiate them privately through the stock exchange.

A significant proportion of the fund's resources, under the ultimate control of the finance ministry, is expected to be used to capitalise the hopelessly indebted public sector—67% of whose working capital is borrowings—in debt equity swaps. Besides the development fund, the package also establishes new taxes and a series of measures to stimulate investment.

Most Brazilian economists appear to like the shape of the plan. Professor Celso Martone, the highly regarded University of Sao Paulo economist, expects the plan to boost business confidence in capital investment, but is critical of the earlier "loose" monetary policy of the government.

Cursory reading. Professor Arida and his colleagues cheerfully allow criticism to pass over them. They point out that even a cursory reading of the Brazilian economy's runes presents a conjuncture of indicators that would be the envy of many developed economies: a projected trade surplus in visibles of possibly $13 billion (Rs. 15,600 crores) this year, still in the black after the repayment of foreign debt interest, growth between 6% and 8%, and good corporate profit figures. "There's no case in history—not even the Weimar Republic—where a country paid 4% of its GDP in debt repayments," points out Professor Arida, whose current bedside reading is, perhaps significantly, Keynes's *How to Pay for the War.*

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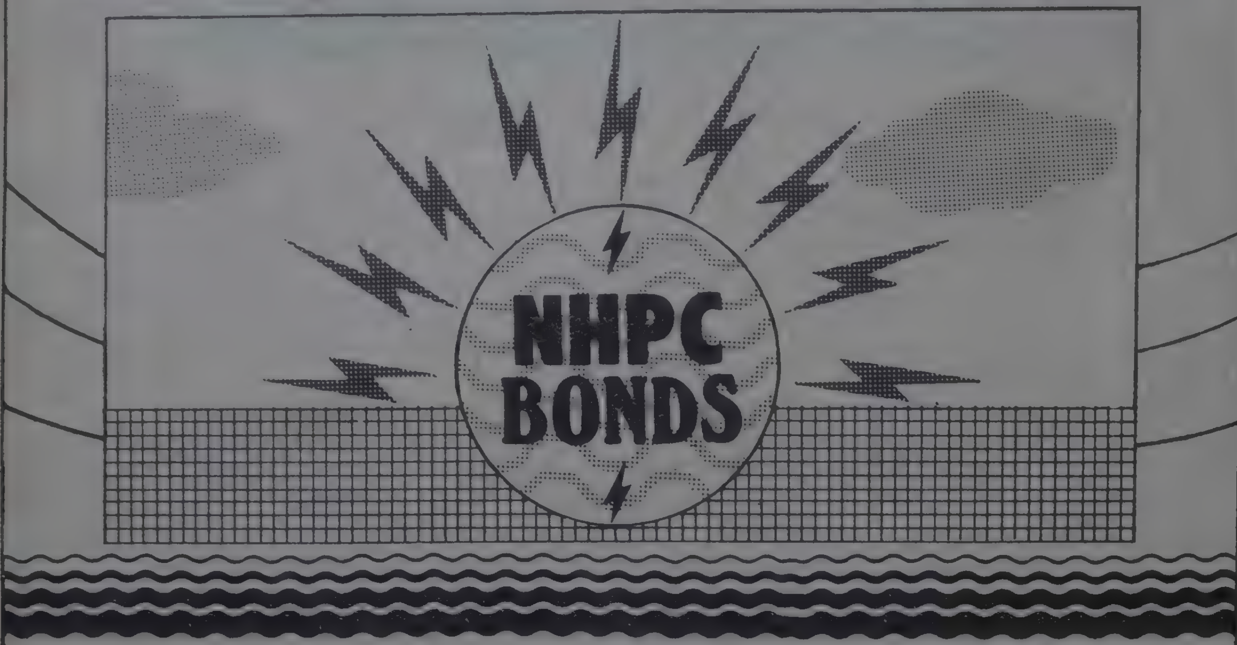

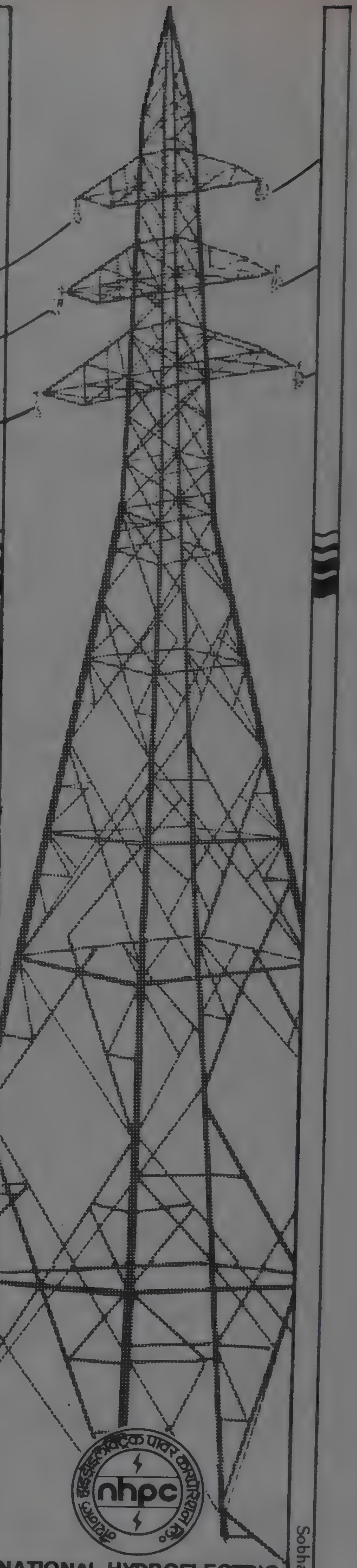

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ISSUE OPENS AUGUST 18, 1986.

BusinessWorld
August 18—31, 1986

UNITED STATES

GM's realistic response

■ The world's largest motorcar manufacturer, the Detroit (US)-based General Motors Corporation (GM — estimated sales: over $100 billion or Rs. 1,20,000 crores in 1986) which bagged close to a 60% share of the US passenger car market in 1985 has reported an 18.5% drop in net profit in its second quarter to $978 million (Rs. 1,174 crores) from $1.15 billion (Rs. 1,380 crores) in the corresponding period last year. Sales during the second quarter of 1986 however went up by 10% to $27.6 billion (Rs. 33,120 crores) *cf.* $25.1 billion during the corresponding period in the previous year.

Significantly though, GM is offering rebates on new car sales for the first time in three years as even spokesmen announced the imminent closure of three of its 26 car assembly plants in the US and Canada. The intended closures scheduled for the late eighties are seen in industry circles as GM's realistic response to the establishment of Japanese and Korean car assembly plants in several locations in the US and Canada.

AUTOMOBILES

Ford's record profit

■ The Ford Motor Co. the second largest car manufacturer in the US, has reported a record profit for the second quarter of this year. The company's quarterly profit of $1.1 billion (Rs. 1,320 crores) was higher than its previous record of $909 million (Rs. 1,091 crores) posted in the second quarter of 1984. Within the US itself, the company earned a profit of $792 million, an increase of $181 million over the corresponding period last year, while overseas earnings increased from $198 million last year to $286 million.

This record earning has been attributed to the market success of Ford's popular new product range and the cost reduction strategies adopted in recent years, and is all the more creditable in view of the profit setbacks suffered by Ford's two US-based rivals, General Motors and Chrysler Corporation.

BRITAIN

Rover Group divests

■ The UK-based state-owned vehicle manufacturer, Rover Group plc (formerly British Leyland plc — sales: $4.54 billion or Rs. 5,448 crores in 1984) plans to sell its loss-making Leyland Bus unit and 75% of its stake in Unipart — the company's spare parts distribution unit — separately to two consortia of management and investment institutions, for an aggregate sum of about £61.7 million (Rs. 114 crores). On completion of the deals, the acquiring managements plan to streamline the two companies. The proposed measures include a massive lay-off of Leyland Bus workers and closure of the company's unprofitable Eastern Coachworks factory.

FRANCE

Turnaround at Peugeot

■ Peugeot, the well-known French car manufacturer of Peugeot, Talbot and Citroen cars and the largest private enterprise in that country, proposes for the first time since 1981, to pay a dividend to its shareholders for 1985. The company which accumulated losses over the last five years of FFr 8 billion (Rs. 1,280 crores), has reported a profit of FFr 543 million (Rs. 87 crores) which company managers hope will increase to the FFr 2-3 billion mark in the current year. This turnabout is, according to industry observers, due to the appointment of a new chairman who has put the ailing Peugeot back on the road to profitability.

GARMENTS

Lee-Wrangler merger

■ The Pennsylvania (US)-based manufacturer of the well-known Lee brand of jeans and other lines of clothing, VF Corp. (sales: $1.5 billion or Rs. 1,800 crores in 1985) is taking over the Blue Bell Holding Co., the company that owns Wrangler Inc., manufacturer of the popular Wrangler brand of jeans and other apparel. Under the terms of the agreement, VF will pay about $361 million in cash and securities and will also take over Blue Bell's long term debt of $414 million.

The takeover will raise VF's market share in the $5.5 billion US jeans market to 23%, pushing Levi Strauss & Co. — currently the largest manufacturer of jeans in the US — to second place.

COMPANIES

Another Carbide divestiture

■ The Connecticut (US)-based Union Carbide Corporation (UCC — sales: $9 billion or Rs. 10,800 crores in 1985) is on the lookout for a buyer for its profitable agricultural chemicals division in the US which produces methyl isocyanate and downstream agrochemicals. The proceeds of the sale (which could aggregate to at least $500 million) will enable the company to pay off debts incurred in warding off an unfriendly takeover bid by the GAF Corp. earlier this year.

According to company sources, included in the proposed sale will be UCC's agrochemical units in six US states and in Canada, France and Brazil. However, there is no proposal to sell the now defunct Bhopal unit of the company's Indian affiliate Union Carbide India Ltd.

AVIATION

Swissair's profit plunge

■ Swissair, the Swiss national airline, has reported a more than 50% decline in its gross profit for the first half of 1986, to SFr 83 million (Rs. 68 crores) *cf.* SFr 174 million during the corresponding period last year. Sales revenue was also lower at SFr 1.78 billion *cf.* SFr 1.97 billion for the corresponding period last year. The company attributes this decline in earnings to the fall in the exchange rate of the US dollar which "added 30% to the cost of travel in Europe by Americans." This resulted in a drop in the number of Americans, who constitute a major percentage of Europe's tourists, travelling to the Continent this year.

OPEC

Another price boosting effort

■ In a move to boost sagging crude oil prices, seven of the 13 members of the Organisation of Petroleum Exporting Countries (OPEC) have offered to make voluntary cuts in the daily production of oil. However, the seven countries were not identified and it is not known whether the largest producer of oil within the OPEC cartel, Saudi Arabia, is one of the seven.

OPEC has been striving to reach a unanimous agreement on production quotas for the past few months. A top official described the voluntary cuts as a stop-gap arrangement until a definite agreement on lower production quotas is reached and hopes for a significant cut in production from the current 20 million barrels per day to 17.9 million barrels.

A majority of OPEC members agreed that this cut would restore oil prices to the $17-$19 per barrel range. The voluntary cuts will go into effect immediately.

GSFC

Major expansion plans

Gujarat State Fertilisers Co. Ltd., the well-known growth-oriented, joint sector company, engaged in the manufacture of fertilisers and petrochemicals, is on the threshold of a major expansion and diversification programme for which it is all set to invest a huge amount of Rs. 600 crores.

The ambitious new second stage expansion programme includes replacement of the company's 18 year old ammonia plant at a cost of Rs. 300 crores. Simultaneously, the capacity of the company's caprolactum plant is also being expanded from 20,000 tonnes to 50,000 tonnes per annum at a project cost of Rs. 180 crores. The company is also in the process of setting up a Rs. 105 crore coastal di-ammonium phosphate complex at Sikka in Gujarat.

Meanwhile, the sales turnover of the company in the current year ending 31st December is likely to cross the Rs. 500 crore mark, with a corresponding improvement in earnings. With the completion of its ongoing growth plans, the company is likely to join the exclusive club of Rs. 1,000 crore companies by the turn of the decade. At present Tata Steel is the only private sector member of this club.

MAFATLAL FINE

Modernisation programme

The Mafatlal Fine Spinning & Manufacturing Co. Ltd.,a (Arvind) Mafatlal group composite textile mill which has diversified into the manufacture of chemicals, has embarked upon an ambitious programme to give a facelift to its textiles and chemicals divisions with an estimated investment of Rs. 25 crores.

The modernisation plan for the textile division for which the company proposes to spend around Rs. 16 crores in the current year for installing the latest open end spinning machines and shuttleless looms including air jet looms with microprocessors, etc., has been finalised. Another plan involving a substantial investment in the chemicals division for renovation and modernisation of its highly corrosive plant and machinery is in the process of being finalised.

These ambitious programmes for the modernisation of both its divisions are likely to substantially improve the company's financial performance. The company, which was hit hard by the unprecedented textile strike in the beginning of the eighties, forcing the management to skip the dividend in 1981-82 for the first time in its five decade history, has not only recovered from the shock but has also regained its momentum.

According to current indications, the sales turnover of the company will cross the Rs. 200 crore mark during the current calendar year and profit at the gross level will be at least 30% higher than Rs. 9.50 crores realised last year. Bet times are ahead for shareholders.

LLOYDS STEEL

Ambitious schemes

Lloyds Steel Industries Ltd., a wo known name in steel fabrication for ov a decade and a half, has drawn up ambitious plan to more than double annual sales turnover from the curre Rs. 45 crores.

The company, which will soon public, has undertaken two capital e penditure programmes involving an ou lay of Rs. 5.50 crores. The first scheme to modernise existing fabricati facilities at its two plants located in A dheri (Bombay) and Murbad — also Maharashtra. This will enable the cor pany to commence manufacturing hi value added items such as fin stabilise and steering gears required for buildi ships, heat exchangers for atomic r search, super-sized silos, etc. The secon plan is to set up a steel castings ma ufacturing facility at Kalapur ne Khopoli in Maharashtra. Both the schemes are scheduled to be complete by the end of the first quarter of 1987.

With the implementation of the schemes, the company's sales turnove which was around Rs. 45 crores in th year ended 31st March 1986, is like to rise to Rs. 65 crores in 1987-88 an cross the Rs. 100 crore mark by the en of the decade.

Companies this fortnight

(Rs. crores)

	GSFC (year ending December)			Mafatlal Fine (year ending March)			Lloyds Steel (year ending March)		
	1983	1984	1985	1984	1985	1986	1984	1985	1986
Sales	207.70	240.49	339.35	117.23	142.71	161.06	16.97	41.50	44.79
Gross profit	30.75	35.81	56.78	4.41	3.11	9.50	1.37	2.24	2.41
Paid-up capital	16.00	20 93	21.08	6.77	6.77	6.77	0.50	0.50	1.50
Reserves	113.35	118.54	131.79	9.11	9.25	14.80	1.88	2.52	2.67
Gross fixed assets	166.44	187.44	188.67	55.63	58.24	61.47	4.20	4.86	4.67
Dividend (%)	24.00	24.00	27.00	12.00	12.00	17.00	10.00	10.00	15.00
Earnings per share (Rs.)	147.00	69.00	108.00	35.75	12.73	69.30	12.68	13.72	5.67
Paid-up value (Rs.)	100.00	100.00	100.00	100.00	100.00	100.00	10.00	10.00	10.00
Market price as on 1st August 1986 (Rs.)			155.50*			410.00			36.00**

** Share has been sub-divided into the face value of Rs. 10*
*** Unofficial*

ORKAY SILK

Disappointing results

The Bombay-based Orkay Silk Mills Ltd. has declared its financial esults for the year ending 31st March 986. Sales turnover at Rs.243.04 crores vas 31% higher than that of the revious year (Rs. 185.73 crores). Post-ax profit, however, was lower at Rs. .94 crores *cf.* Rs.13.52 crores in the orresponding period last year, due to igher costs of production and tockmarket fluctuations. Interest on orrowings was also higher at Rs.7.07 rores *cf.* Rs.4.6 crores last year, as was epreciation at Rs.5.84 crores *cf.* s.2.97 crores.

Nevertheless, the board of directors of the company has recommended a ividend of 25% to its shareholders.

MORARJEE GOCULDAS

Impressive performance

The Bombay-based textile manufacturer Morarjee Goculdas pinning & Weaving Co. Ltd. has produced impressive results for the year ended 30th June 1986. Sales turnover at Rs.115 crores (up 9% from the previous year) and gross profit at Rs.8.05 crores (up 83%) were the highest recorded by the company in its 115 year history.

In view of these improved results, the board of directors has recommended a higher dividend of Rs.20 per equity share *cf.* Rs.15 in the previous year. Dividend on cumulative preference shares has, however, been maintained at Rs.6.43 per share.

The company has designed a comprehensive Rs.10 crore modernisation programme, in which it has already invested Rs.6.5 crores. The modernisation is expected to be completed during the current year.

GEC

Better bottomline

The well-known Calcutta-based manufacturer of electrical machinery and other engineering products, the General Electric Co. of India Ltd. (GEC) has announced its operational results for the year ended 31st March 1986. Sales turnover at Rs.97.04 crores was 21% higher than the previous year's Rs.80.31 crores, while profit before depreciation and interest rose slightly to Rs.7.68 crores *cf.* Rs.7.45 crores in the previous year Net profit amounted to Rs.2.4 crores, 16% higher than the previous year's Rs.2.09 crores. The board of directors has proposed a dividend of Rs.1.50 per equity share — the same as last year.

COLOUR-CHEM

Marking time

Colour-Chem Ltd., the Bombay-based company engaged in the manufacture of chemicals and dyes, has announced its financial results for the year ended 31st March 1986. Sales were 6.6% higher at Rs.67.87 crores *cf.* Rs.63.66 crores in the previous year, while post tax profit rose to Rs.1.45 crores *cf.* Rs.1.30 crores in 1984-85.

According to company spokesmen, due to the continuing depression in the textile industry, sales of its major product lines declined and its improved performance was due to increased sales of the company's non-textile products and its exports, as well as the introduction of a new agro-chemical intermediate which has been well received in the market.

USHA ALLOYS

Improved performance

The Calcutta-based Usha Alloys & Steels Ltd. has posted healthy results for the year ended 31st May 1986. Sales recorded an increase of 25% to Rs.50.88 crores from Rs.40.66 crores in the previous year. Gross profits rose to Rs.2.03 crores *cf.* Rs.1.93 crores in the earlier year. The directors of the company have declared an equity dividend of 20%.

The performance of the company's billet manufacturing unit at Adityapur (Bihar) improved substantially with production having risen to 61,319 tonnes *cf.* 48,962 tonnes in the previous year. This was largely due to the implementation of new technology developed in collaboration with Hamburg Consulting & Steel Engineering GmbH, West Germany.

The company's new Rs.4.40 crore expansion and modernisation programme, which will double the production capacity of the Adityapur unit, is expected to be completed by March 1987.

MANEKLAL MILLS

Encouraging results

The Ahmedabad-based textile company Maneklal Harilal Mills Ltd. has shown encouraging operational results for the year ended 31st December 1985. Sales turnover increased substantially to Rs.43.52 crores *cf.* Rs.36.21 crores in 1984. Gross profit almost doubled to Rs.3.01 crores from Rs.1.64 crores the previous year. Net profit at Rs.97.35 lakhs was over three times the previous year's Rs.28.27 lakhs.

The board of directors has declared a higher dividend of Rs.35 per equity share *cf.* Rs.30 in the previous year.

Some forthcoming public issues

Company	Type	Date	Issue size (Rs.crores)	Purpose
Century Tubes	E & NCD	18th August	15.20	Expansion and diversification
Lohia Machinery	E	18th August	0.90	Long term working capital
National Hydroelectric Power Bonds		18th August	60.00	Modernisation and expansion
Montari Industries	E & CD	18th August	5.94	Expansion and diversification
Khandelwal Extractions	E	19th August	0.60	Expansion and modernisation
Gujarat Polyweave	E	20th August	1.19	Long term working capital
Century Sound & Echo	E	20th August	0.85	Expansion and diversification
Ema India	E	20th August	0.44	Expansion and diversification
Chemech Laboratories	E	20th August	0.57	Long term working capital
Krishna Ceramics	E	25th August	1.48	Part finance new projects

E=Equity, face value Rs. 10, NCD=Non-convertible debentures, CD=Convertible debentures

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The company, which has already spent about Rs.2 crores on modernisation during the last two years, plans to invest between Rs.5.5 crores and Rs.6 crores for further modernisation of two of its units.

TATA ROBINS FRASER

Dividend maintained

Tata Robins Fraser Ltd., the Calcutta-based manufacturer of material handling equipment such as idler rollers, vibrating screens and sectional and mini conveyors, has recorded its highest sales turnover to date — Rs.32.09 crores in the year ended 31st March 1986, a 46.7% increase over the previous year's figure of Rs.21.88 crores. Gross profit however dropped to Rs.93.88 lakhs from Rs.1.42 crores due to an increase in production costs, losses incurred on some of the major contracts executed during the year and higher interest charges.

The directors of the company have proposed to maintain the dividend at 16% on its enhanced equity shares including the converted portion of the convertible bonds which amounts to Rs.22.96 lakhs, subject to the approval of shareholders.

The company is working towards converting letters of intent from the government into licences to manufacture such equipment as crawler mounted side discharge loaders and wheel mounted load haul dumpers in collaboration with the West Germany-based Thyssen Rheinstahl Technik GmbH, MAN, GHH and Saarberg Interplan.

PREMIER AUTO

Bonus & rights issues

The well-known Bombay-based automobile manufacturer, Premier Automobiles Ltd. (PAL) is all set to expand its capital base. Its board of directors proposes to split each of the existing 'A' ordinary shares of Rs.100 each into 10 equity shares of Rs.10 each. Following this, the company will issue bonus shares in the ratio of 1:1 by capitalising a total of Rs.8.07 crores from reserves.

In addition, the company plans to offer rights shares to shareholders in the ratio of one share for every three shares held. The rights issue will be made on the enhanced capital after the bonus issue. Both the issues are subject to sanction from the controller of capital issues.

PEOPLE & PLACEMENTS

A.K. DUTTA assumed charge as general manager (works), Durgapur Steel Plant

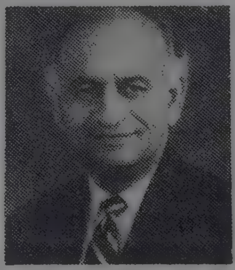
K.K. KHANDELWAL has been appointed president, All India Manufacturers' Association

DR. S. SUBRAMANIAM has taken over as director, Manpower Development Centre, Amalgamations Group, Bangalore

A. RAGHAVENDRA RAO has been re-elected president, Kanara Chamber of Commerce & Industry, Mangalor

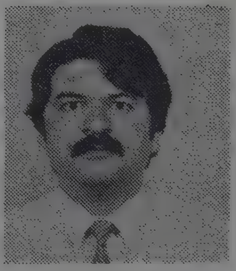
ALI MURTAZA has been appointed area manager (India), Gulf Air

F.T. KHORAKIWALA has been re-elected president, Council fo Fair Business Practices, Bombay

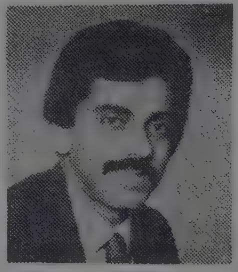

S.L. BHATTER has been appointed president, Association of Indian Automobile Manufacturers

S. SUBRAMANIA has been appointed manager (marketing Oman International Bank SAO, Bombay branch

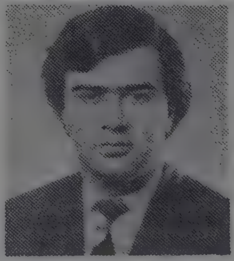
BALKRISHNA BINANI has been elected president, Indian Non-Ferrous Metals Manufacturers Association, Bombay


NIRAV JHALA ha been promoted to area manager, International Data Management Ltd., Bombay

S.R. JIWARAJKA has been elected president, National Alliance of Young Entrepreneurs (NAYE)


V. SHANKAR has been promoted to th position of vice president, Bank of America and takes over as manager of the bank's Madras branch.

JAI ARYA has been promoted to the position of vice president, Bank of America and is posted as senior credit officer, New Delhi branch.


K. DHAWAN has been promoted to th position of vice president, Bank of America, and is posted as senior credit officer, Bomba branch.

Portfolios: some satisfaction

I have always contended — often to the exasperation of readers — that the two *BusinessWorld* portfolios reviewed on this page from time to time are composed of scrips which have considerable appreciation potential. This contention has recently been justified — and that too at a time when the trading conditions on the stock exchanges, especially on the Bombay stock exchange (BSE) where all of the portfolio scrips are listed, have deteriorated. The two *BW* portfolios — portfolio A drawn up for steady income with some prospects of capital appreciation, and portfolio B for capital appreciation *per se* — have appreciated since they were last monitored one-and-a-half months ago (*BW*, July 7-20, p.119).

PORTFOLIO A
For steady income

	Yield*	No. of shares	Purchase price	Amount invested	Market value 27th June 1986	Market value 8th August 1986
IDL Chemicals	4.0%	20	65	1,300	1,550**	1,800**
Garware Marine	3.0%	100	25	2,500	1,400**	1,450**
Larsen & Toubro	1.5%	32+	189	3,780	4,120**	4,152**
Garware Polyester	1.9%	50	97	4,850	4,150	4,650**
Hindustan Lever	1.6%	50	152	7,600	7,667.50**	8,672.50**
Total investment and market value				20,030	18,887.50**	20,724.50**

**Based on last recommended dividend.* ***Includes dividend income.* *+Includes 12 bonus shares.*

PORTFOLIO B
For capital appreciation

	No. of shares	Purchase price	Amount invested	Market value 27th June 1986	Market value 8th August 1986
Samtel	50	195	9,750	7,250	5,986**
Larsen & Toubro	48+	189	5,670	6,180**	6,228**
MICO	5	745	3,725	4,425**	4,425**
Total investment and market value			19,145	17,855	16,639

+ Includes 18 bonus shares. ***Includes dividend income.*

At the close of trading on 8th August when leader scrips on the BSE were quoted at rock bottom levels in the wake of the fall in the value of the equity share of Reliance Industries, not a few marketmen burnt their fingers in another popular scrip, *viz.* Orkay. Against this backdrop, five out of the seven portfolio scrips have recorded gains in value since 27th June. Three of them, *viz.* Garware Polyester, IDL Chemicals and Hindustan Lever have chalked up substantial gains of between Rs. 10-21 per share. Of the other two, MICO stayed put at previous levels, while the other, *viz.* Samtel, yielded considerable ground with its quotation falling from Rs. 145 to Rs. 115.

> **'... the two *BusinessWorld* portfolios reviewed on this page from time to time are composed of scrips which have considerable appreciation potential. This contention has recently been justified'**

Samtel suffered because investors in the scrip were inclined to hedge the rights shares to be issued by the company by making a sale of existing shares listed on the market. As Samtel is included in portfolio B, the slide in its quotation has produced an exaggerated fall in this portfolio's aggregate value of Rs. 16,639 from Rs. 17,855 on 27th June. But, on the other hand, with all the gainers grouped in portfolio A, the value of this portfolio appreciated by 10%, from Rs. 18,887.50 on 27th June to Rs. 20,724.50 on 8th August.

This may appear a bit incongruous, considering that portfolio B is the one drawn up primarily for capital appreciation. But the prospects of this portfolio are not diminished by an incidental fall which Samtel has suffered in its market value. Because as the rights shares offered by the company will be at the par value of Rs. 10 per share, the aggregate value of portfolio B will be substantially enhanced.

Significant improvement. On the other hand, of the big gainers in portfolio A, Garware Polyester has registered a significant improvement in terms of market quotation even after the company recently issued non-convertible debentures to raise an aggregate amount of Rs. 22 crores. The appreciation in the price of the equity share of the company underscores the potential of the share of Garware Polyester which is due both to the company's encouraging prospects and to its promising new diversification into the manufacture of magnetic tapes.

The appreciation of the equity share of IDL Chemicals is in line with my expectations as is that in Hindustan Lever. It is important to mention here that these two scrips are now being strongly fancied in the stockmarket. The spark which will spur the equity share of MICO *viz.* consent for the company's proposed 1:1 bonus issue by the controller of capital issues, can be expected to be delivered any time now. And so far as the remaining portfolio scrip of Larsen & Toubro is concerned, there is no doubt in my mind that the investment in this scrip will pay higher dividends.

Garware Marine, included in portfolio A, has however remained a laggard scrip. This is because the prospects of shipping companies in the private sector in the country are being needlessly hampered for want of government aid during the time of the present depression in the shipping industry the world over. In the light of this government apathy, which is accentuated all the more by an official bias in favour of shipping companies in the public sector, I feel the investment in Garware Marine may take long to pay off. I propose, therefore, to discard this scrip from portfolio A and invest the proceeds in 50 shares of Diamines Chemicals.

With this one change in the portfolios which will be taken up for monitoring the next time, I look forward to giving you better news when the portfolios are monitored next.

Artymon

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Demoralised sentiment

Equities on stock exchanges continued to indicate a downward trend following bear hammering and absence of any support from the financial institutions during the fortnight ended 8th August. Besides the reports of Chinese intrusions into Indian territory in the north-east also affected market sentiment adversely. The continued heavy selling of the equity shares of Reliance Industries didn't exactly help market sentiment either.

Reflecting the bearish trend in equity values, *The Economic Times* index of ordinary share prices (1969-70=100) moved down from 504.2 on 28th July to 498 on 8th August — a fall of 1.22%. Surprisingly however, the *Financial Express* equity index (1979=100) moved up from 354.99 to 358.07, during the fortnight.

Sharp decline. The highlight of trading during the fortnight was the sharp decline in value of the equity share of Reliance Industries Ltd. (RIL) following the spate of adverse press reports about the questionable *modus operandi* of the company's management. The quotation of the scrip plunged from Rs. 306 to Rs. 251 before recovering to Rs. 265 at the close of the fortnight. To arrest a further fall in the scrip several stock exchange authorities have imposed a ban on fresh forward selling and prohibited jobbing in the RIL share.

In keeping with the generally subdued trend of the market, cement equities too lost further ground on tired bull liquidation. As a result the *ET* index for these equities lost 7% during the fortnight ended 8th August. Plantation equities also continued to drift on lower advices from Calcutta and absence of fresh buying at lower levels.

"Equity values had risen to unwarranted heights because of speculative buying in leader scrips during the last few months and against this background the recent crash in RIL shares has demoralised market sentiment. In addition some new issues have received very poor response in the market and this has also adversely affected investors' confidence. The market is likely to remain subdued until the quotation for the RIL equity share stabilises. However, any financial crisis is ruled out because financial institutions are bound to lend support to blue chips," observes V.B. Desai, a highly reputed stockbroker and chairman of the Bombay-based V.B. Desai Financial Services Ltd.

S. Dhruv

BOMBAY

Name/Industries 1	1985 Price range High - Low 2 (Rs.)	 3 (Rs.)	Dividend per share 4 (Rs.)	Opening 28-7-86 5 (Rs.)	Closing 8-8-86 6 (Rs.)	Yield 7 %
Textiles						
Baroda Rayon (100)	500.00 -	282.00	15.00	290.00	295.00	5.1
Bombay Dyeing (25)	156.00 -	63.00	1.75*	101.00	102.00	1.7
Century Spg. (100)	1530.00 -	805.00	24.00*	780.00	770.00	3.1
Century Enka (100)	1240.00 -	600.00	34.00	1165.00	1135.00	3.0
Garware Nylon (10)	64.00 -	24.50	1.80	42.00	39.00	4.6
Gwalior Rayon (10)	88.00 -	53.50	2.20	73.00	73.00	3.0
Indian Rayon (10)	144.00 -	65.00	2.40	128.50	122.00	2.0
JK Synthetics (10)	118.00 -	51.70	1.50	119.50	115.00	1.3
Mafatlal Ind. (125)	400.00 -	235.00	22.00	465.00	455.00	4.8
Nirlon (10)	73.00 -	37.00	2.25■	37.00	35.50	6.3
Reliance Ind. (10)	252.00 -	121.00	4.00	314.00	257.00	1.6
S. I. Viscose (100)	285.00 -	170.00	15.00	225.00	215.00	7.0
Standard Mills (100)	475.00 -	272.00	12.00	430.00	410.00	2.9
Paper						
Andhra Pradesh (100)	195.00 -	160.00	20.00	150.00	150.00	16.7
Ballarpur (10)	68.00 -	43.00	2.20*	56.00	55.00	4.0
Bhadrachalam (10)	36.00 -	20.50	N.A.	39.00	36.50	...
Jayant Paper (10)	28.00 -	13.50	2.00	19.50	18.50	10.8
Orient Paper (10)	101.00 -	59.00	2.00	81.50	81.50	2.5
Steel						
Mukand (10)	54.00 -	21.75	N.A.	54.50	52.00	...
Tata Steel (100)	1255.00 -	379.50	21.00	1307.50	1270.00	1.7
Zenith Steel (10)	78.00 -	27.50	2.50	88.00	85.00	2.9
Metal & Alloys						
Bihar Alloys (10)	26.00 -	8.25	N.A.	17.00	15.00	...
Ferro Alloys (100)	275.00 -	125.00	12.50	355.00	365.00	3.4
Hindustan Alum (10)	94.00 -	51.00	1.35*	75.00	72.50	1.9
Mahindra Ugine (10)	49.00 -	27.00	N.A.	26.00	26.00	...
Engineering						
Antifric Bearings (10)	50.00 -	21.50	1.40	19.50	17.00	8.2
Associated Bearing (100)	800.00 -	435.00	20.00	700.00	700.00	2.9
Atlas Copco (10)	72.00 -	35.00	1.20	96.00	88.00	1.4
Bharat Forge (10)	90.00 -	29.00	1.80■	77.00	79.00	2.3
Bharat Gears (10)	60.00 -	27.50	1.80	28.50	26.50	6.8
Blue Star (10)	92.50 -	32.50	2.00	90.00	87.50	2.3
Elecon (10)	108.00 -	54.50	1.70	112.00	105.00	1.6
Greaves Cotton (100)	350.00 -	202.50	17.00*	280.00	280.00	6.1
Hind Lever (10)	128.00 -	50.75	2.40	175.00	177.50	1.4
Ingersoll-Rand (10)	365.00 -	159.00	3.50	297.00	290.00	1.2
KEC Int. (10)	40.00 -	24.00	1.25	20.00	18.00	6.9
Kinetic Engg. (10)	360.00 -	128.00	2.50	360.00	335.00	0.7
Kirloskar Cummins (100)	753.50 -	500.00	15.00	670.00	605.00	2.5
Kirloskar Oil (10)	36.00 -	19.50	1.25	15.00	16.00	7.8
Larsen & Toubro (10)	193.00 -	72.00	2.40	129.00	126.00	1.9
Mahindra & Mahindra (10)	102.00 -	47.50	1.80*	53.00	51.00	3.5
Otis Elevator (10)	215.00 -	85.00	2.50	140.00	137.50	1.8
Premier Auto (100)	650.00 -	310.00	21.00	940.00	905.00	2.3
Pressure Cookers (10)	49.00 -	25.00	1.90	35.00	35.50	5.4
Tata Engg. (100)	1030.00 -	406.00	23.00	650.00	675.00	3.4
Voltas (100)	470.00 -	358.00	10.00■	227.50	225.00	4.4
Automobiles						
Bajaj Auto (100)	2075.00 -	855.00	30.00	3725.00	3750.00	0.8
Bajaj Tempo (10)	280.00 -	143.00	2.50	125.00	122.00	2.0
Escorts (10)	102.00 -	45.75	2.20	105.00	100.00	2.2
Motor Industries (100)	815.00 -	321.25	15.00	910.00	875.00	1.7
Cables & Electricals						
Asian Cables (100)	215.00 -	112.50	10.00	175.00	175.00	5.7
Bajaj Electricals (100)	340.00 -	115.00	20.00*	750.00	750.00	2.7
Bharat Bijlee (100)	300.00 -	105.00	16.00	370.00	475.00	3.4
Crompton Greaves (100)	350.00 -	257.50	10.00	280.00	280.00	3.6
Peico Electronics (10)	103.00 -	38.50	2.00	54.50	53.00	3.8
Siemens India (10)	87.50 -	38.00	1.40	85.00	85.00	1.6
Dyes & Chemicals						
Amar Dye-Chem (100)	95.00 -	62.50	12.00*	30.00	65.00	18.5
Bayer (100)	480.00 -	320.00	18.00	625.00	600.00	3.0
I.E.L. Ltd. (10)	80.00 -	32.70	2.00	65.00	64.00	3.1
Colour-Chem (100)	335.00 -	185.00	12.00*	267.50	260.00	4.6
Cynamid (10)	80.00 -	35.00	25.00*	62.00	65.00	38.5
Glaxo (10)	75.00 -	23.75	1.80	66.00	56.00	3.2
G S F C (100)	895.00 -	534.00	24.00	153.00	153.00	15.7
Herdillia Chem (10)	67.00 -	25.50	1.80	44.00	43.00	4.2
Mafatlal Dyes (10)	33.00 -	23.50	1.70	26.00	24.00	7.1
Mangalore Chem (10)	50.00 -	19.50	N.A.	47.00	44.00	...
Indian Dyestuffs (100)	390.00 -	267.50	16.00	265.00	265.00	6.0
Indian Organic (10)	141.00 -	50.25	18.00*	82.50	81.00	22.2
Pfizer (10)	100.00 -	39.00	2.00	85.00	85.00	2.4
Polychem (50)	181.00 -	60.00	10.00	180.00	200.00	5.0
Sandoz (10)	80.00 -	31.00	1.40	132.00	110.00	1.3
Sandvik Asia (100)	575.00 -	340.00	10.00	670.00	675.00	1.5
Tata Chem. (10)	155.00 -	64.50	2.50	101.00	102.00	2.5
Warner Hind (10)	75.00 -	36.00	2.50*	80.00	88.00	2.8
Zuari Agro (10)	94.00 -	46.00	2.25*	84.00	81.00	2.8
Shipping						
Chowgule (10)	16.50 -	5.00	N.A.	5.25	5.75	...
Great Eastern (10)	34.00 -	14.25	0.70	21.50	15.50	4.5
Scindia (20)	21.50 -	7.00	N:A.	7.00	7.00	...

BOMBAY

Name/Industries 1	1985 Price range High 2 (Rs.)	Low 3 (Rs.)	Dividend per share 4 (Rs.)	Opening 28-7-86 5 (Rs.)	Closing 8-8-86 6 (Rs.)	Yield 7 %
Cement						
A C C (100)	610.00	380.00	20.00	245.00	229.50	8.7
Digvijay Cement (100)	230.00	180.00	20.00	170.00	175.00	11.4
Mysore Cement (10)	48.00	30.00	1.75	26.00	27.00	6.5
Raaci Cement (10)	60.00	31.00	1.80	27.00	28.00	6.4
Miscellaneous						
Andhra Valley (100)	180.00	121.00	16.00	198.75	205.00	7.8
Blow Plast (10)	122.00	44.00	2.50*	99.00	92.00	2.7
Colgate (10)	318.00	143.50	7.00*	317.50	317.50	2.2
East India Hotels (10)	53.00	25.50	2.00	45.00	47.00	4.3
Gárware Marine (10)	33.00	14.00	1.40*	13.00	13.00	10.8
Gujarat Alkali (10)	65.00	38.00	2.50	59.00	58.00	4.3
Harri Malayalam (10)	76.00	38.00	2.50	41.00	39.00	6.4
Indian Hotels (10)	135.00	77.00	2.50	122.50	115.00	2.2
I.T.C. (10)	59.80	29.00	2.25	67.00	62.00	3.6
Lohia Machine (10)	85.00	43.50	2.00	35.00	23.00	8.7
Ponds (10)	218.00	103.00	4.50	367.50	367.50	1.2
VST Ind (10)	38.50	21.00	2.30	28.00	30.00	7.7
Wimco (10)	71.00	38.50	2.00	63.00	61.00	3.3
CALCUTTA						
Textiles						
Bharat Commerce (10)	27.00	13.75	1.00*	14.00	13.50	7.4
J. K. Cotton (10)	64.00	18.00	1.20*	71.00	71.00	1.7
Kesoram Ind (10)	85.00	52.00	2.35	55.50	61.75	3.8
Jute						
Birla Jute (10)	105.00	51.50	1.85	44.50	43.50	4.3
Reliance (10)	—	—	1.75*	39.00	39.00	4.5
Chemicals						
Chloride India (10)	95.00	58.00	2.20*	120.00	123.00	1.8
Indian Oxygen (10)	66.30	42.75	2.00*	53.50	53.50	3.7
Engineering						
Alfred Herbert (10)	25.00	16.00	1.50	14.25	14.25	10.5
Guest Keen (10)	35.25	20.00	0.50	17.60	17.25	2.9
India Foils (10)	78.00	38.75	2.00*	80.00	91.00	2.2
Macneil Magor (10)	250.00	127.00	12.00	22.00	32.00	37.5
Metal Box (10)	25.00	11.50	0.80*	18.80	17.40	4.6
Union Carbide (10)	38.00	16.75	0.50	22.25	22.00	2.3
Usha Martin (10)	48.00	26.00	1.60*	33.50	33.00	4.8
Tea						
Basmatia (10)	44.75	35.25	3.00	32.25	32.25	9.3
Brooke Bond (10)	83.00	46.50	2.50	59.50	64.50	3.9
Tata Tea (10)	177.00	64.00	5.00*	57.25	48.25	10.4
Miscellaneous						
Britannia Ind (10)	91.00	46.50	1.80	148.00	147.00	1.2
Davy Ashmore (10)	30.00	18.25	1.50*	21.75	22.00	6.8
English Elec (10)	114.00	70.00	3.50	104.00	96.50	3.6
Hindustan Motors (10)	127.00	37.10	2.00	38.80	40.70	4.9
Remington Rand (10)	80.00	36.50	2.00	31.00	33.25	6.0
Uni Cables (10)	65.00	26.50	1.50	75.25	75.00	2.0
DELHI						
Amrit Banaspati (10)	48.00	15.00	1.20*	41.00	40.00	3.0
D C M (25)	82.00	48.25	3.75	41.00	36.25	10.3
Escorts (10)	102.00	45.75	2.20*	105.00	95.00	2.3
Goetze India (10)	61.00	21.00	1.80*	59.00	55.00	3.3
Jagatjit Cotton (10)	—	—	1.40*	72.00	63.00	2.2
Kelvinator (10)	105.00	49.00	1.60	73.00	71.00	2.3
Modi Industries (10)	87.00	16.50	1.80	36.00	36.00	5.0
Prakash Tubes (10)	24.50	18.00	1.50	21.50	20.00	7.5
AHMEDABAD						
Anil Starch (100)	225.00	147.00	18.00	163.75	180.00	10.0
Aruna (100)	200.00	105.00	15.00*	141.00	140.00	10.7
Atul Prod. (100)	667.00	311.50	20.00	472.00	446.00	4.5
Bharat Vijay (100)	255.00	167.50	10.00	202.00	180.00	5.6
Calico (125)	235.00	108.00	N.A.	129.00	117.50	...
Cellulose Prod. (100)	—	—	8.00*	90.00	90.00	8.9
Guj. Steel (100)	300.00	140.00	15.00	242.50	222.50	6.7
Mafatlal Ind. (100)	390.00	235.00	22.00	458.00	463.00	4.8
Vallabh Glass (100)	275.00	105.00	22.00*	100.00	100.00	22.0
MADRAS						
Aluminium Ind. (10)	17.00	5.00	1.50*	8.35	8.25	18.2
Amrutanjan (10)	—	—	3.50	71.00	70.00	5.0
Andhra Cement (10,	—	—	1.50	19.50	19.00	7.9
Ashok Leyland (10)	58.00	25.00	1.80*	26.50	27.50	6.5
Enfield India (10)	101.00	45.00	2.00	59.00	56.00	3.6
Indian Cement (10)	46.00	20.00	2.00	26.00	25.00	8.0
Kothari Ind (10)	34.50	19.00	1.20*	15.25	14.00	8.6
Madura Coats (10)	69.00	27.25	2.50	52.00	53.00	4.7
Mysore Lamps (10)	84.00	40.00	2.50	70.00	68.00	3.7
Textool (100)	265.00	182.00	18.00	265.00	265.00	6.8

* Latest Available

Gainers	Between 28th July and 8th August
Andhra Cement (10)	+ 0.50
Atash Leasing (10)	+ 4.00
Bajaj Auto (100)	+ 50.00
Baroda Rayon (100)	+ 15.00
Bata (10)	+ 8.75
Bombay Dyeing (25)	+ 1.50
Brooke Bond (10)	+ 8.00
Chloride (10)	+ 7.00
Colgate (10)	+ 1.25
Deepak Fertiliser (10)	+ 2.50
E.I. Hotels (10)	+ 3.00
Food Specialities (10)	+ 7.50
Garware Polyester (10)	+ 9.00
Gwalior Rayon (10)	+ 4.50
Hind Lever (10)	+ 7.00
Hind Motors (10)	+ 2.00
Mahindra & Mahindra (10)	+ 2.50
Ponds (10)	+ 25.00
SPIC (10)	+ 2.00
TELCO (100)	+ 35.50
Tata Steel (100)	+ 12.50

Losers	Between 28th July and 8th August
ACC (100)	– 9.50
Apple Leasing (10)	– 2.50
Ashok Leyland (10)	– .50
Asian Paints (10)	– 2.50
Assam Frontier (10)	– 3.50
Atlas Copco (10)	– 6.00
BASF (10)	– 8.00
Batliboi (10)	– 7.00
Bayer (100)	– 10.00
Bihar Alloys (10)	– 1.25
Essar Shipping (10)	– 2.00
Glaxo (10)	– 7.00
GNFC (10)	– 0.50
Indian Organic (10)	– 0.50
Indian Rayon (10)	– 1.50
ITC (10)	– 1.00
J.B. Chemicals (10)	– 2.50
J.K. Synthetics (10)	– 3.50
Kinetic Honda (10)	– 10.00
Mangalam Cement (10)	– 1.00
Metal Box (10)	– 1.50
Mukand (10)	– 0.50
Nirlon (10)	– 2.00
Orkay (10)	– 22.00
Photophone (10)	– 14.50
Reliance (10)	– 41.00
Standard Mills (100)	– 15.00
Voltas (100)	– 2.50
Wimco (10)	– 2.00

Indian commodity prices

Commodity	Variety/Centre	1985 High	1985 Low	Prices as on July 25, 1986	Prices as on August 8, 1986
Foodgrains (per quintal)					
Wheat	Desi-Delhi	285.00	222.50	260.00	270.00
Rice	Sela-Hapur	319.00	261.50	312.50	319.00
Gram	Desi-Bombay	607.50	437.50	377.50	377.50
Sugar (per quintal)	C-30, Bombay	783.00	475.50	606.00	607.50
Edible oils (per tonne)					
Groundnut	Wholesale-Bombay	16,408.00	13,962.00	22,672.00	25,272.00
Mustard (tin)	K-Ghani-Delhi	197.50	175.50	262.50	255.00
Coconut	Cochin	31,750.00	14,700.00	19,500.00	20,250.00
Steel (per tonne)					
Rounds	6mm-Bombay	6,250.00	5,500.00	5,800.00	5,650.00
Angles	75x75x6mm	6,900.00	5,550.00	6,200.00	6,200.00
Non-ferrous metals (per quintal)					
Copper	Wire bar-Bombay	4,935.00	4,590.00	4,600.00	4,590.00
Lead	Bombay	1,265.00	1,210.00	1,460.00	1,450.00
Ferrous scrap (per tonne)					
Heavy melting	No.1 Bombay	2,500.00	1,950.00	2,650.00	2,625.00
Re-rollable	Bombay	4,325.00	3,275.00	4,175.00	4,150.00
Chemicals (per 50 kg)					
Soda Ash	Tata	312.50	177.50	180.00	181.00
Caustic	Flakes	385.00	300.00	375.00	385.00
Cement (per bag of 50 kg)					
Controlled		42.50	41.00	42.50	42.50
Open market		85.00	60.00	57.00	57.00

Commodity prices abroad

Commodity	Centre	Currency/unit	Prices as on July 25, 1986	Prices as on August 8, 1986
Gold	London	US$/ounce	352.00	360.85
	Zurich	US$/ounce	351.80	360.50
	Hong Kong	US$/ounce	352.20	361.10
Silver	New York	Cents/ounce	507.50	519.50
Copper (w.bar)	London	£/tonne	872.00-873.00	871.00-872.00
Soyabean oil	Chicago	Cents/pound	16.40	15.26
Palm oil	Malaysia	$/tonne	515.00	465.00
Castor oil	Rotterdam	$/tonne	700.00	650.00
Black pepper	Singapore	$/quintal	962.50	962.50
Rubber	Malaysia	$/tonne	223.00-224.00	222.00-223.00

Edible oil prices flare up

A runaway rise in edible oil prices was the feature of trading in the Indian commodity markets during the fortnight ended 8th August 1986.

Edible oils. Groundnut oil prices rose further on account of shortage of supplies accentuated by hoarding. Most stockists are reported to be sitting tight on their stocks even as supplies from Saurashtra, the groundnut bowl of the country, have been reduced to a trickle.

Market sentiment has also been adversely affected by the uneven progress of the monsoon and the paucity of rain in the rain-fed groundnut growing regions. Consequently groundnut oil prices advanced by almost Rs. 2,500 per tonne this fortnight, taking the price rise to over Rs. 6,000 during the last six weeks.The prices of all the other edible oils also tended to firm up in sympathy.

Foodgrains. Wheat and rice prices ruled better on reports that the *kharif* crop output is likely to be adversely affected because of the poor rains in some parts of the country. Pulses exhibited a steady trend.

Metals, steel. Steel prices registered a further decline on account of poor demand. Among metals, copper prices were subdued because of selling pressure.

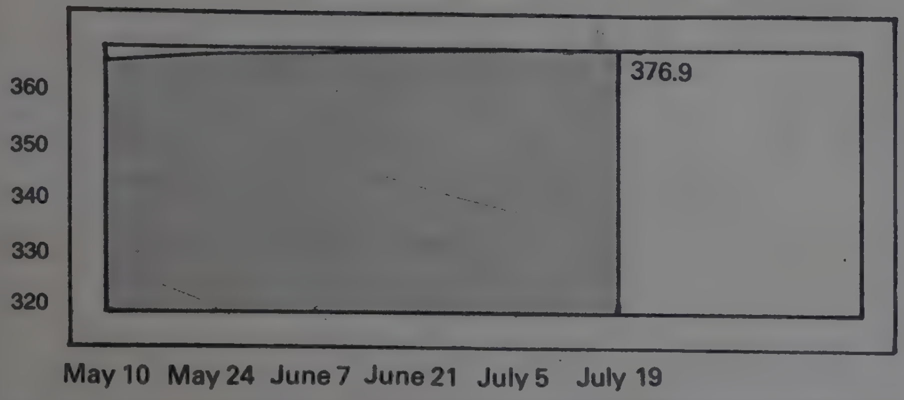
Yarns, fibres. Nylon yarn prices firmed up because of restricted supplies from spinners. Polyester yarn prices also tended to firm while rayon and viscose yarn were steady.

Cotton prices ruled quietly steady in restricted trading.

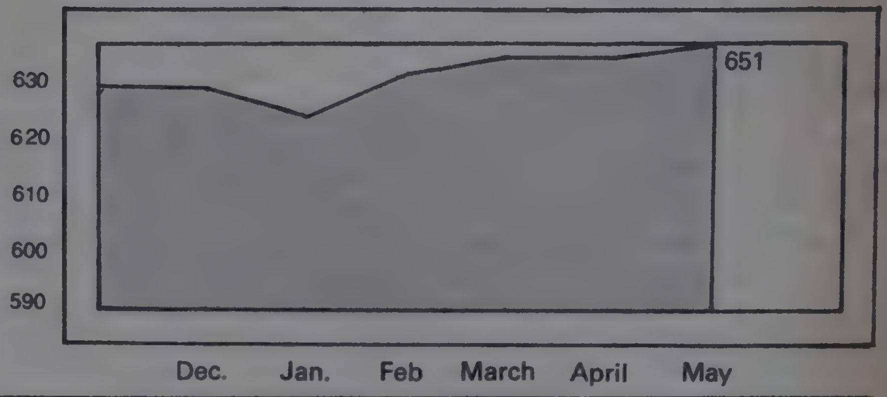
Cement. Cement prices remained subdued on account of increasing supplies and reduced demand. Many small cement plants are reported to be resorting to distress sales to reduce their stocks.

The dyes, chemicals,sugar and *kirana* markets exhibited a steady tendency in restricted trading activity.

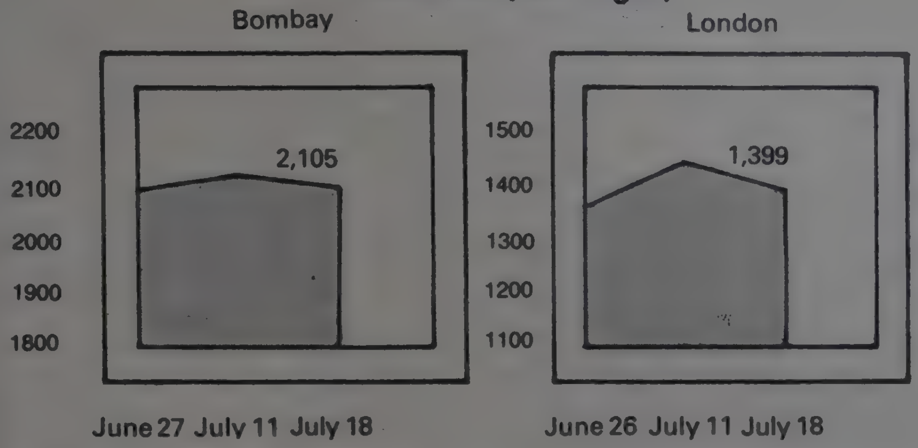
Wholesale Price Index (1970-71=100) 1986



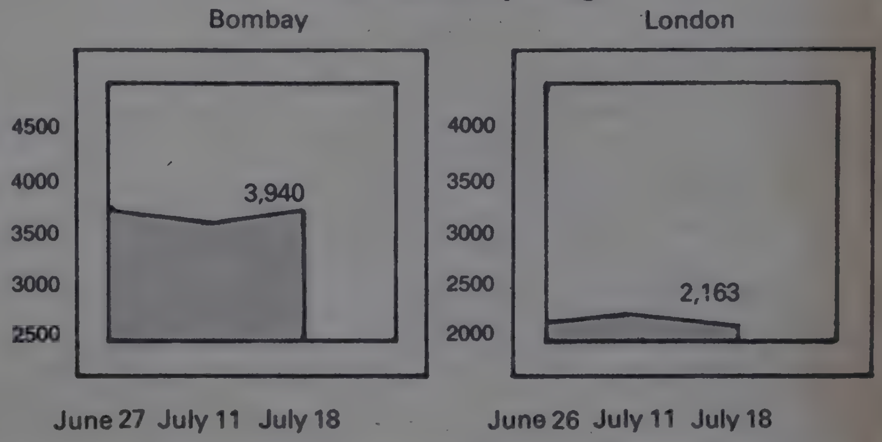
Consumer Price Index for Industrial Workers (1960-61=100) 1986



Gold (Rs. per 10 gm)



Silver (Rs. per kg)



London Interbank Offered Rates (LIBOR) ruling on 22nd July 1986

	One month	Three months	Six months	One year
Sterling Pound	9.94	10.06	10.06	10.06
US dollar	6.52	6.52	6.52	6.63
West Germany Mark	4.63	4.63	4.68	4.75
Japanese Yen	4.88	4.81	4.69	4.69

Source: The Merchant Banking Division of the Standard Chartered Bank

Domestic interest rates (% per annum)

	1985 July 12	1986 July 11
Bank Rate	10.00	10.00
IDBI (direct loans)	14.00	14.00
NABARD (refinance)	6.50	6.50
Call money rate* (Bombay)	10.00	10.00
Exim Bank (suppliers' credit)	9.00	8.50**

** Weighted average of rates reported by selected banks*

*** Effective from 21st February 1986*

*Money Supply (M3)	(Rs.crores)	% change over	
July 4, 1986	1,24,697	Fortnight	+ 0.9
July 20, 1986	1,23,621	Year	+ 15.7
July 5, 1985	1,07,738	Two years	+ 35.9

** Aggregate Deposits	(Rs.crores)	% change over	
July 4, 1986	93,123	Fortnight	+ 1.6
July 20, 1986	91,636	Year	+ 18.4
July 5, 1985	78,673	Two years	+ 40.9

*** Foreign Exchange Reserves	(Rs.crores)	% change over	
July 4, 1986	4,929	Fortnight	--10.4
July 20, 1986	5,504	Year	-- 4.6
July 5, 1985	5,166	Two years	– 1.2

CSO Index of Industrial Production (1970=100) 1985

August	196.5	January	224.0
September	201.2	February	214.3
October	202.4	March	239.0
November	206.4	April	207.0
December	222.0	May	212.9
1986		June	212.0

Bank Credit	(Rs. crores)	% change over	
July 4, 1986	83,358	Fortnight	+ 1.7
July 20, 1986	81,982	Year	+14.5
July 5, 1985	72,815	Two years	+33.6

Foreign Exchange Rates (Spot) 1985 Buying Rs.

	1986 July 18	1985 July 19
One P. Sterling	19.91	16.71
One US dollar	12.54	11.90
One D. Mark	5.82	4.13
One hundred J. Yen	7.97	4.99

Notes:
** Comprises currency with the public plus deposit money of the public plus time deposit with banks*
*** Demand deposits plus time deposits with all scheduled banks*
**** Including SDRs, excludes gold coins*

Kothari priorities

The Madras-based Kothari group of companies which has established a sizeable presence in the textile, tea, sugar, fertiliser and chemicals business down south, has reportedly run into a cash flow problem. Recently, Kothari Industrial Corporation (KIC), the flagship company of the group, sold two of its tea plantations in the south reportedly to raise the finance to subscribe to the equity of the ambitious food processing project which the group has promoted in equity and technical collaboration with the New York-based soft drinks and processed foods megacorp General Foods (sales: Rs. 10,824 crores in 1985).

Perhaps the very same considerations or its enthusiasm for the Kothari-General Foods project has prompted KIC to surrender the licence that it had recently received to set up a Rs. 35 crore project to manufacture propelene oxide and polyols. The licence has since devolved on another well-known Madras-based company — Southern Petrochemicals Industrial Corporation (SPIC).

The Kotharis' anxiety to get its food processing project off to a fast start is hardly surprising. The entry of another US-based soft drinks and processed foods giant — PepsiCo Inc. which has linked up with the Punjab Agro Industrial Corporation and the Tatas — into the Indian market is imminent. In the circumstances, a head start for its food processing project may prove invaluable.

Another Allana coup

The low profile Bombay-based Allana group of 19 companies (estimated aggregate sales: Rs. 150 crores per annum), one of the biggest names in the export of processed foods and frozen meat in this country, which pulled off a spectacular coup by acquiring the Tata-managed vanaspati and spark plug manufacturing company IVP Ltd. in 1983, has done it again. This time round, the Allanas have acquired the Rs. 7.5 crore canned (buffalo) meat complex in Aurangabad of the Bangalore-based multinational affiliate Brooke Bond India Ltd. (BBI).

With BBI's ambitious hi-tech wholly export-oriented abbatoir project having run into problems as a consequence of its parent company, the London-based Brooke Bond Group plc — a big name in corned beef in the UK and Europe — phasing out its canned meat marketing business, BBI was looking for buyers. Responding with characteristic swiftness, Razak Allana, the chief executive of the closely held and cash-rich Allana group, clinched the deal with an offer of Rs. 5 crores — well above the depreciated value of the BBI complex which includes a leather processing unit.

For the Allana group, its latest acquisition offers a natural diversification from frozen to canned meat exports and for the BBI management which has recently experienced several diversifications running awry, a divestiture at a face-saving price.

Cheema's price

The strange dismissal of H.S. Cheema from the office of chairman of the Gas Authority of India Ltd. (GAIL) and his subsequent emergence as prime contender (according to latest reports) for the position of member (natural gas) ONGC is getting curiouser and curiouser. According to petroleum ministry sources, the main reason for Cheema's dismissal was "incompetence and extravagance" in running GAIL. Yet little concrete evidence can be mustered by them in support of this grave charge.

The blame has been laid at Cheema's door for GAIL maintaining two expensive offices in 5-star hotels in Bombay and Delhi. Yet enquiries reveal that not only was GAIL paying no more than Rs. 17 per square foot for its offices, only one of which in Delhi is in a 5-star hotel, the actual decisions to rent both these offices were made in July 1984 — prior to the incorporation of GAIL — by ONGC which was originally supposed to execute the HBJ pipeline contract. Likewise, the charge that Cheema had overstaffed GAIL with a host of ex-ONGC personnel hired at inflated salaries, also does not hold water as it was ONGC which had drawn up the staffing requirements for the HBJ project, estimating the total number of people required at 1,850.

One of the most serious charges made against Cheema was that he was unable to carry his board members with him and had to operate independently to get things done. In fact, according to reliable sources in ONGC and GAIL, persistent interference by government directors on the GAIL board virtually crippled the new company *ab initio*.

Suddenly, the petroleum ministry has also become aware that Cheema has been sinned against because Cheema's application for the post of member (natural gas) was routed through the ministry. In the circumstances, what was the real reason for the dethronement of Cheema? Informed opinion in New Delhi is veering around to the view that Cheema's unceremonious ouster is not unconnected with his well publicised role in the award of the HBJ pipeline contract to the consortium led by Spie Capag in preference to the powerful-in-New Delhi Snamprogetti which obviously has as long a reach as a memory.

Complex games

The twists and turns in the strange case of the transfer of control in India Meters (sales: Rs. 7.76 crores in the year ended 31st March 1985), the ailing Madras-based water and steam meters manufacturing company, are bewildering even to seasoned monitors of the corporate scene. Despite the initial clearance by the Union government of the takeover bid made by two non-resident Indians (NRIS), the deal might fall through.

It may be recalled that when the consortium of banks financing the recovery of this sick unit decided to hock their controlling shareholding in the company, the first bid was made by the public sector BHEL which was then managing the company. Suddenly from out of the blue came an offer from two NRIS who offered to ante up Rs.4.5crores for the assets of the company.

As events progressed, the identities of the NRIS who turned out to be two youths in their twenties of whom one had hardly spent more than a few months abroad, became a matter of much speculation. Even as the trade unions in India Meters asked questions about the competence of the youngsters as well the source of their funds, it turned out that they were none other than the son and the nephew of the top ranking public sector chief V. Krishnamurthy, chairman of the Steel Authority of India and Maruti Udyog Ltd. Despite the latter's stony silence on the subject, the IDBI quickly gave its okay to the deal.

Consequently, it was left to Union finance minister V.P. Singh to put a spoke in the wheel of the deal as he did recently by assuring the union leaders who called on him that the government was not in favour of this takeover bid. Instead, the unions were asked to submit a plan to consolidate the turnaround of the company, which is already on the recovery trail.

The union leaders went home satisfied. But in another surprising development, the two NRIS have been appointed directors on the board of the company.

Oh, the games people play!

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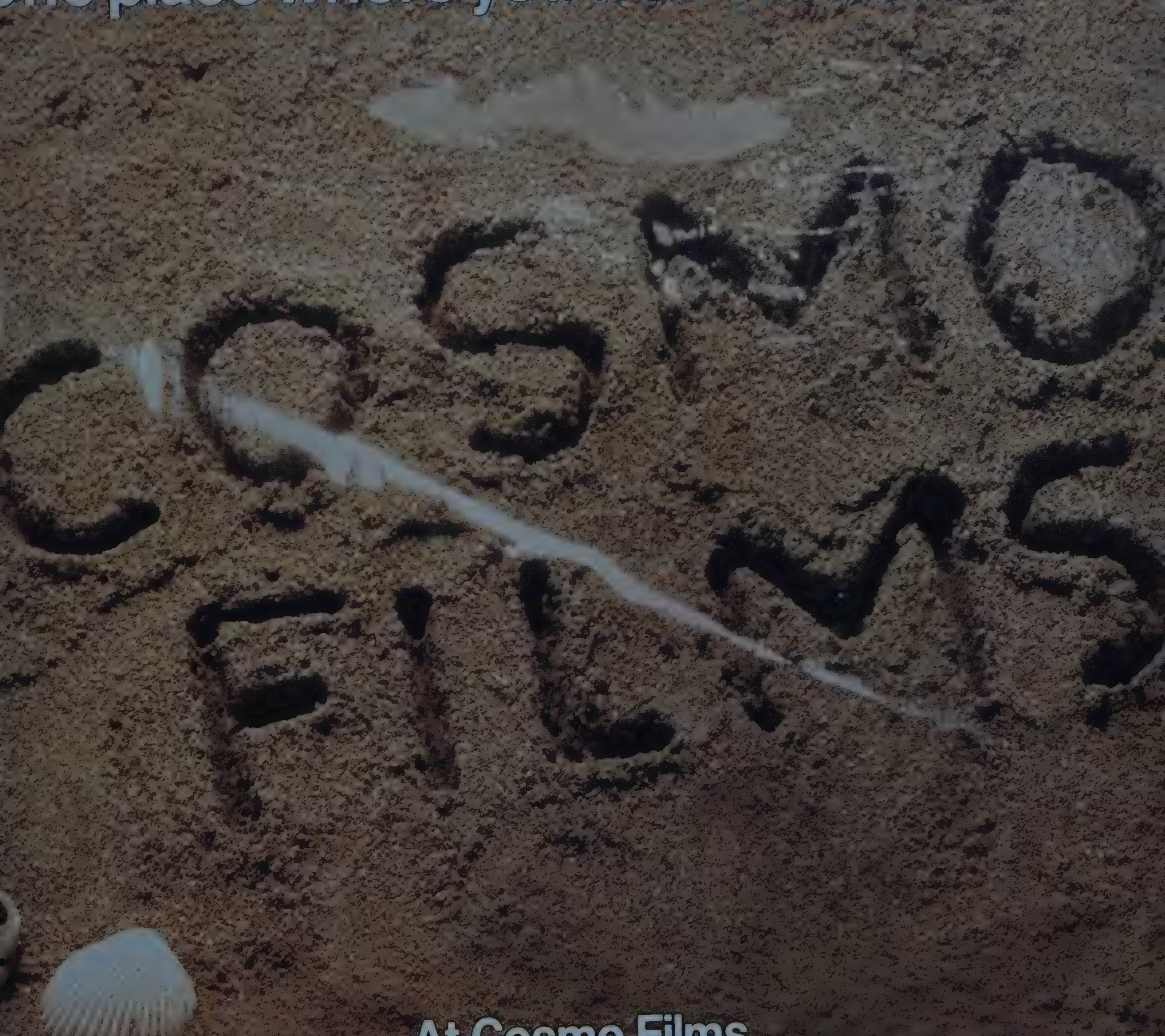

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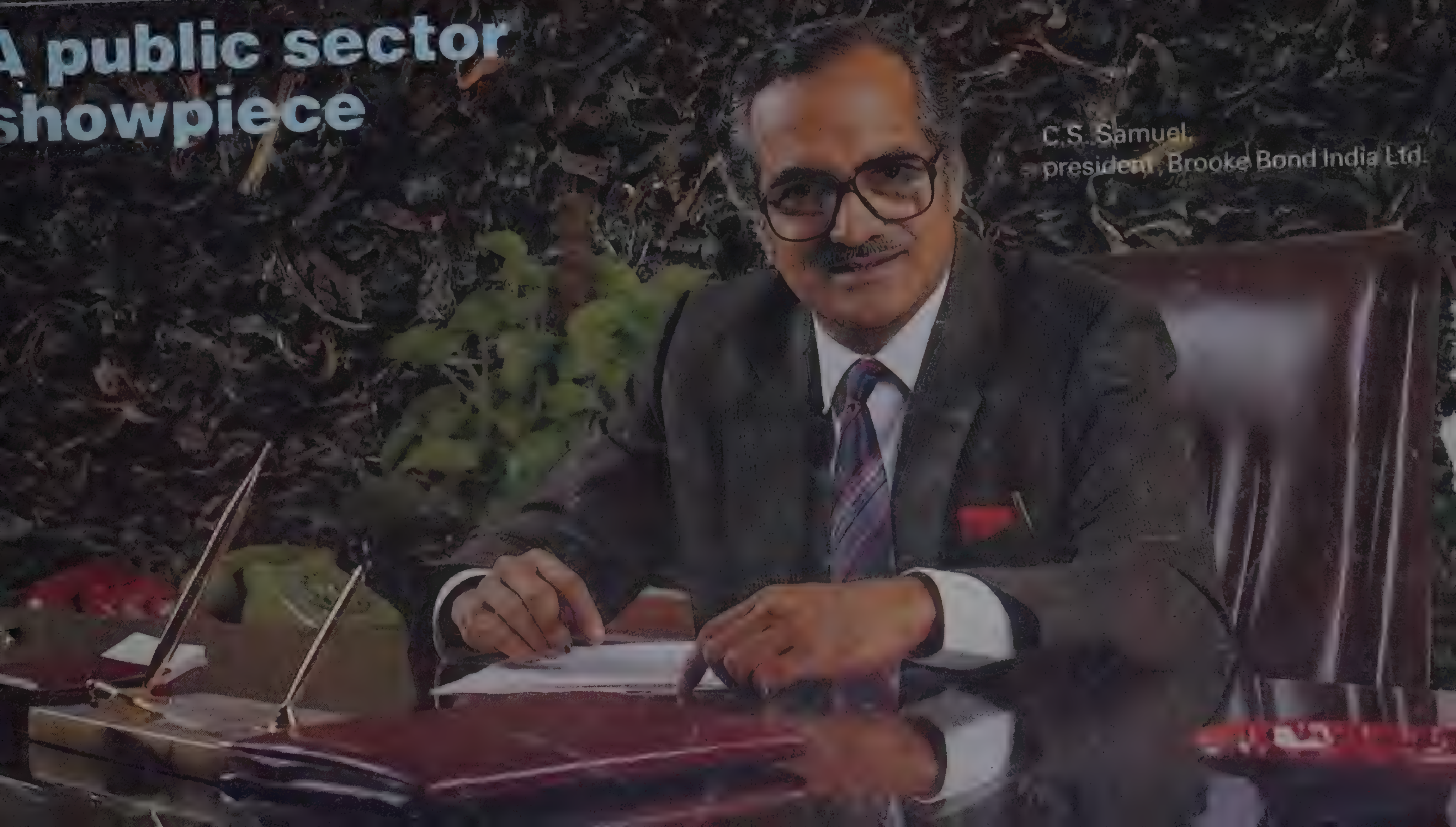

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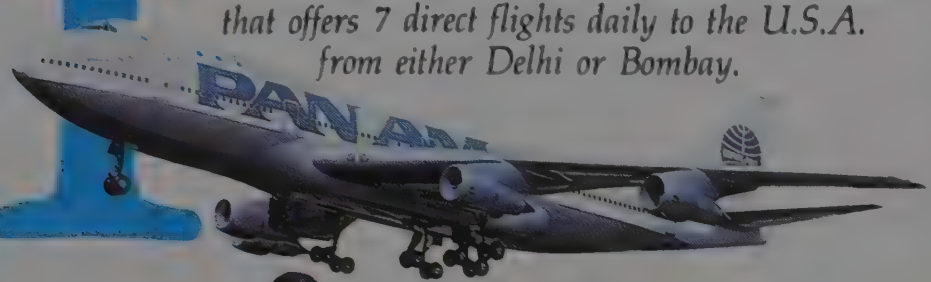

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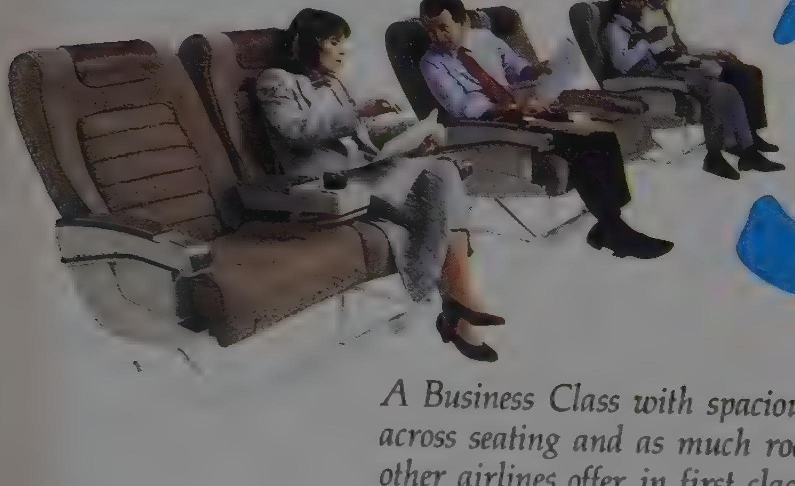

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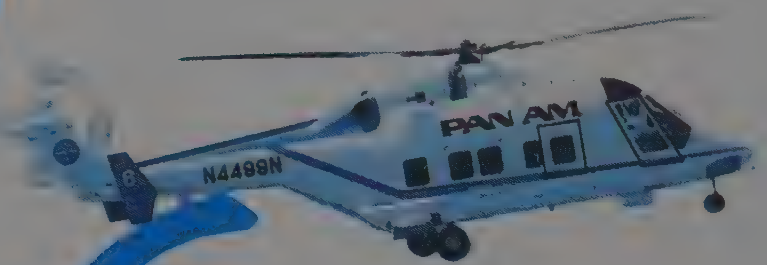

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BusinessWorld

VOLUME 6, ISSUE 11, SEPTEMBER 1-14, 1986

BusinessWorld
the magazine for indian business

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Inland Subscription Rates
One Year 26 issues Rs 110
Two years 52 issues Rs 220
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Published for Ananda Bazar Patrika Ltd. from 145 Atlanta, 209 Ceremonial Boulevard Nariman point, Bombay 400 021 by Ranen Chakrabarty and printed at Printwell. Laxmi Mills Estate, Off Dr. E. Moses Road, Mahalaxmi, Bombay 400 011

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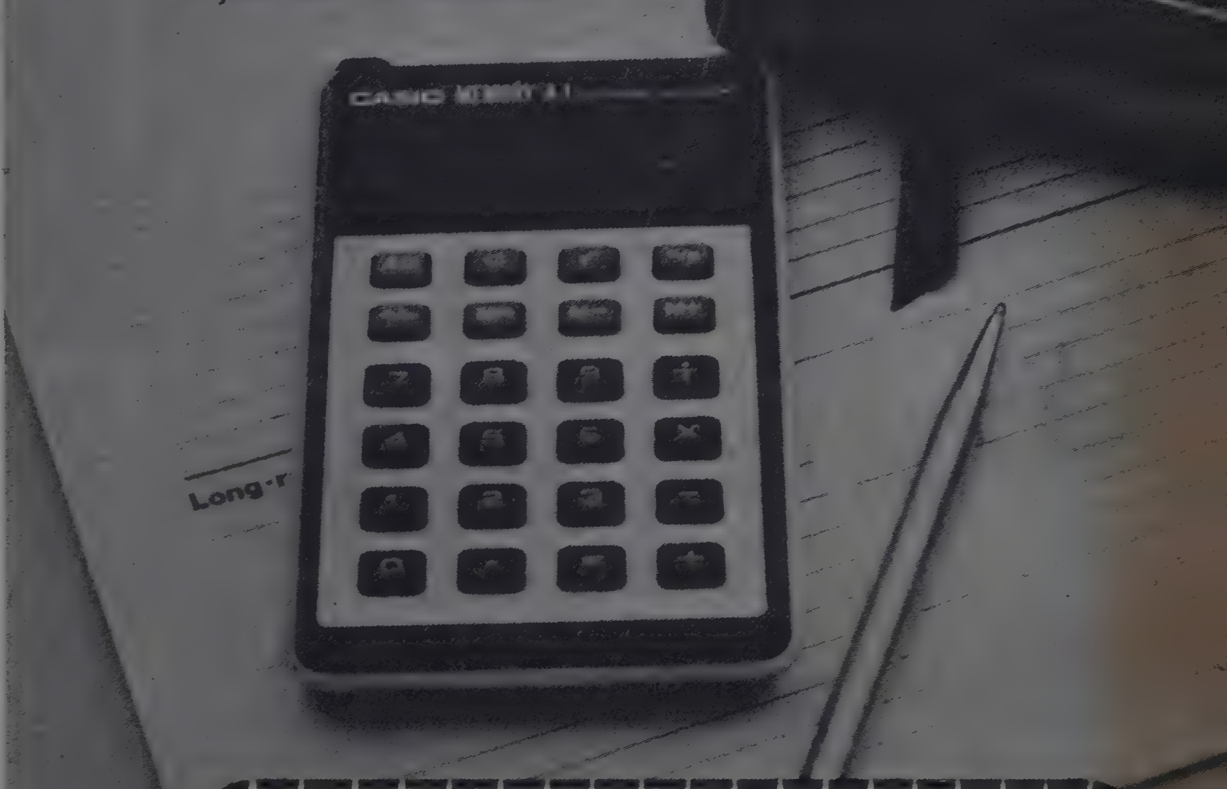

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BusinessWorld
September 1—14, 1986

An oft heard criticism is that *BusinessWorld's* coverage of the corporate sector in the south is inadequate. Though we maintain that this is the consequence of the stubborn conservatism of southern businessmen who tend to shun personalised media coverage, in recent times we have redoubled our efforts to write South India-based stories.

Not entirely without success either. Recently we featured a cover story on the Madras-based Standard Motors and Spotlight features on Mangalore Chemicals, Asea and the Coffee Board among others. And while some more southern India-based lead features are in the planning stages, in this issue both our lead features (and the Entrepreneurs story) are from the south — specifically, Bangalore.

Yet to categorise Brooke Bond India (BBI), the subject matter of our Cover Feature this fortnight, as a 'southern' company is somewhat misleading. With its massive sales force — reputedly the world's largest — its extensive distribution system and its sheer dominance of the national packaged or packet tea and instant coffee markets, BBI is a household name all over the country.

Be that as it may, the winds of change are already blowing through the corridors of the magnificent new Madras colonial (Prakash Tandon's description of the architectural style) corporate campus, 13 km from Bangalore, which was inaugurated with much fanfare on 19th August.

To a certain extent the BBI top management's decision to move out of Bangalore into perhaps the first corporate campus created in this country, is itself indicative of the currents of change flowing through the company. But other changes are accidental rather than the consequence of design. In October 1984, the well-known transnational Unilever plc acquired a controlling interest in the London-based Brooke Bond Group plc which owns 39.9% of the equity of BBI.

As is fairly well known, Unilever is the major shareholder of the Bombay-based Hindustan Lever Ltd. (HLL) and the Calcutta-based Lipton India — the latter BBI's bitter rival in the national packet tea market. Therefore, given HLL's sheer size and weight (net sales: Rs. 617.95 crores in the year ended 31st December 1985) there is the very real possibility that BBI could become a *de facto* subsidiary of HLL.

All these developments are taking place against the backdrop of several of BBI's ambitious diversifications having run awry. Who are the BBI contenders in the succession stakes? Can Samuel ensure that his successor 30 months hence emerges from within? And is BBI doing well enough to retain its independence? These are some of the questions discussed in this fortnight's Cover Feature.

And in our second lead feature, our Bangalore-based correspondent N. Raghavan trains the spotlight on the public sector Bharat Earth Movers Ltd. which could well serve as a model for the average drowning-in-red-ink public sector enterprise.

Cover transparencies by K.A. Vasan and S. Chandrashekar

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BusinessWorld
September 1—14, 1986

The economic causes of social unrest

One of the paradoxes of life in contemporary India is a curious reluctance to acknowledge the nexus or linkage between political and social developments and economics. Thus when prime minister Rajiv Gandhi addressed the nation on its 39th anniversary as an independent nation from the ramparts of the Red Fort in Delhi, he very appropriately articulated the Union government's resolve to stamp out the phenomenon of political terrorism particularly in Punjab. But though he also promised a revised 20 point programme to tackle the problems of poverty and economic backwardness more effectively, he predictably failed to mention that there is a link between the rise of the phenomenon of political terrorism and the poor economic growth performance of the country. On the contrary, he went on to justify the anti-growth economic policies of the past three decades on the grounds that they had saved the country from the clutches of multinationals and falling into the debt trap.

One can hardly blame the prime minister — or his speech writer — for disregarding the fairly obvious link between the country's muddled economic policies and the political and social unrest that is sweeping the nation. Most professional commentators and political pundits tend to do likewise. Thus it is quite common for media commentators to express their anguish about the waves of communal, casteist and linguistic violence which seem to be rising rather than falling without making even a passing reference to independent India's consistently poor annual rates of economic growth and the consequential high levels of unemployment and under-employment which characterise the Indian development effort.

Yet, a moment's reflection should make it fairly clear that the basic and fundamental cause of many of the social ills — communalism, casteism, linguistic chauvinism, the dowry system and the generally quick recourse to violence as a way to settle disputes — is rooted in the factors of widespread unemployment and lack of opportunities which in turn is the consequence of abysmally low annual rates of economic growth. That an idle mind is the devil's workshop and idle hands his most destructive weapon, is one of the oldest saws of the English language. Yet it is surprising how little is the emphasis placed on employment generation by the official hierarchy and Indian intellectuals in general.

An indicator of the official tendency to sweep the vital but politically inconvenient subject of widespread joblessness under the carpet is that reliable statistics relating to unemployment are wholly unavailable. According to the 38th round of the National Sample Survey (NSS) on which much reliance has been placed by the Seventh Plan, the total number of unemployed within the 15-59 year age group aggregates to a mere 9.20 million or an unbelievably low 3.04% of the population in 1983 when the survey was conducted.

Widespread unemployment

Just how wide off the mark this is, is indicated by the statistic that the number of educated (matriculation upwards) unemployed on the 'live' registers of the official employment agencies aggregated to 12.3 million in 1984. And bearing in mind the general lack of faith in the government machinery within society, it would be safe to say that a large number of the educated unemployed have not bothered to register themselves as unemployed. Add to this the undoubtedly large number of the unemployed in rural areas — to say nothing of the grossly under-employed in both sectors of the economy — and a picture of widespread unemployment and consequential misery emerges. Indeed it would not be too far-fetched to say that at least 10% of the total labour force of the country, estimated by the NSS at 305.40 million — itself an under-estimate — is wholly unemployed and perhaps an equivalent percentage grossly under-employed.

The official response to this rising tide of joblessness — apart from excessively over-manning the administration and public sector enterprises — has been to introduce specific employment generation programmes such as the National Rural Employment Programme (NREP); the Rural Landless Employment Guarantee Programme (RLEGP); the Integrated Rural Development Programme (IRDP) and the scheme for Training Rural Youth for Self-Employment (TRYSEM). Hardly to anyone's surprise, these schemes have not worked and, as a recent National Council of Applied Economic Research (NCAER) study has highlighted, in fact, serve only to encourage corruption and misuse of scarce resources.

Quite clearly there is no alternative to aiming for — and attaining — higher rates of economic growth if widespread unemployment which is a tragic and paradoxical feature of the centrally planned Indian economic development effort, is to be eradicated.

Yet it is precisely in squarely addressing the problem of poor rates of economic growth that the pundits within the establishment and the intelligentsia without, have failed. As has been argued perhaps *ad nauseam* on this page, the fundamental cause of the consistently low rates of economic growth that characterise the Indian development effort has been the investment of a significantly large percentage of national savings into an unproductive public sector. Somewhat belatedly the folly of the all too sub-optimal utilisation of the peoples' savings in poorly managed monopoly infrastructure industries which are unable to generate surpluses for reinvestment or to supply cheap inputs to downstream industry, is dawning on members of the ruling party and the government.

Growth of awareness

Union finance minister V.P. Singh's repeated warnings that the performances of the Seventh Plan is dependent upon the performance of the public sector; prime minister Rajiv Gandhi's initiatives to tone up the performance of public sector enterprises and Union energy minister Vasant Sathe's tirade against the public sector in the columns of *The Times of India* are indicative of the growth of this awareness. Yet according to the latest press reports (23rd August), the prime minister in response to protests from within the ruling party has explicitly ruled out the privatisation or denationalisation of public sector enterprises.

Nevertheless, privatisation is a nettle that the government will have to grasp. Important as is respect for the wishes of party members, it is also the responsibility of the party leadership to ensure that the party is re-elected to office. And unless rates of economic growth improve sharply and investible surpluses which can generate jobs are created — impossible without the gradual and/or partial privatisation of the public sector — the messages of communal, religious and linguistic fanatics will continue to resound within receptive ears. This is a reality with which the leadership of the Congress (I) as well as media pundits will have to come to terms.

A misnomer

SIR—In your interesting Cover Feature on 'India's newest status symbol' (*BW* August 4-17), the name of SMP's general manager (marketing) is erroneously mentioned as T.N. Ranganathan. It is T. N. Raghunathan.

P.S. Ramamurti
Madras

Sorry I erred. I regret the embarrassment caused to Mr. Raghunathan — Editor.

The Haksar example

SIR—Your Cover Feature 'Ajit Haksar's creative retirement' (*BW* July 7-20) was interesting. It reflects Ajit Haksar's creative and fertile mind and the support he has received from his family.

Ajit Haksar has wide experience and his current activities are a result of that past rich experience. One hopes that Haksar's successful creative retirement will be an example to today's managers so that they can look forward to a productive retirement.

Sujayendra Das
Calcutta

Air-India's inflight service

SIR—Fresh from a tour of South Wales, UK, where I had been travelling as the leader of a Rotary group study exchange team, I was quite amused at your Cover Feature on Air-India (*BW* June 9-22).

Initially I was glad that Rotary International should insist that we travel by our national airline. But the experience to and from London on Air-India's flights IC 105 and IC 106 respectively killed any joy I might have felt. For the record, I feel compelled to recount my experience.

Since we were travelling on someone else's money, we opted for the economy class; hence my observations are restricted to that class of passenger travel.

First, the air hostesses. In ugliness, they can compete with their counterparts in Indian Airlines. For the life of me, I cannot understand why these candidates for the All World Uglies competition are chosen as air hostesses by Air-India.

Barring looks, one at least expects them to be efficient, courteous and smiling. All these girls (women, rather) were sulking and unwilling to be of assistance to passengers. Each seat is provided with a button. I am told one must press it to call the air hostess if she is needed. Not in Air-India. One can go on pressing the button and no one will appear. If by chance an air hostess is passing by and a passenger asks her for perhaps a glass of water, she will bring it, no doubt—but after 30 minutes and with a look of extreme annoyance as if she is bestowing a great favour.

Most passengers prefer to get what they want themselves. However, even when they go to the cabin, they normally do not find anyone there, because the hostesses are probably having a smoke at the back of the plane.

Second, the toilets. Air-India has four toilets for 200 passengers—an extremely inadequate number. There are long queues at any given moment of time. And why can't they store more water? Within no time, the water is exhausted, the toilets cannot be cleaned and we Indians are branded as being dirty.

Third, the food. It might have been prepared in 5-star kitchens, but it is absolutely inedible.

I hope the chairman of Air-India and the concerned ministry read this letter. The time has now come to appoint a committee to find out how things can be improved.

Prof. S.B. Vora
Executive editor
Arthsankalan
Bombay

Export disincentives

SIR—This is with regard to your Editorial (*BW* July 7-20). You have put your finger on the government's poor export promotion policies.

This is the vital sector of the national economy which must receive topmost priority. But alas, nothing is done for many years, barring lip service and miserly incentives to exporters.

Suggestions have been made by members of various export promotion councils to the government from time to time. One of them is the enhancement of cash compensatory support (CCS) to make Indian exports more competitive in the international markets. The other is a complete refund of drawbacks of excise and customs duties for the goods brought into the country as sometimes the customs authorities demand proof of payment of excise duty on the raw materials used in the manufacture of products. For goods bought from the open market, this is an impossible demand; hence exporters lose such duty drawbacks.

Also, exporters have repeatedly demanded that the CCS and drawbacks be given from a single window, *viz.* the bank through which the export documents are negotiated and which should be authorised to give credit for due amounts of both, a simple single step which will save the exporting community from paying huge sums of interest.

You have very rightly stressed the importance of simplifying procedures. But typically, the government is taking such half-hearted and slow steps that they do not render any service to the economy.

It is high time that the departments of commerce and finance put their heads together and take a bold step—*viz.* that one department should be authorised to take decisions to avoid delay. Decisions are always delayed due to plurality of authority. Isn't it time to call in an efficiency expert?

Sharad C. Kapadia
Surat (Gujarat)

Value of questions

SIR—Tarun Gupta's management article 'Questioning success' (*BW* July 7-20) contains useful advice for corporate managers. Questioning and counter-questioning is the essence of success. When operational results are poor, questions should be asked; when the going is good, then too questions should be asked.

Continuous questioning makes a corporate manager's mind more fertile, depth-oriented and open to options for solutions. This counter questioning should be practised by all companies, particularly consensus oriented companies.

Sujayendra Das
Calcutta

A former smoker's thanks

SIR—Many thanks for Veeru Kothare's letter (*BW* March 31-April 13) wherein he had assured readers free literature on the ill-effects of smoking. I sent a 50 p. stamp along with my letter requesting information and was surprised to receive within eight days very informative leaflets (all free) on the subject.

After reading these leaflets I purchased a book entitled *Stop Smoking—*

Break the Habit, which is actually a four hour course, with the aid of which I gave up my 15 year old habit not just by controlling the urge but by killing it completely.

I would like to thank both Mr. Kothare and *BusinessWorld* for having cured me of my cigarette smoking disease.

Others genuinely interested in wanting to quit smoking, may also write to Mr. Kothare, Post Bag No. 5679, Bombay 400014.

Ramdas Gaitonde
New Delhi

Pay Commission's folly

SIR—The Pay Commission's recent recommendations of too many perks and heavy pay hikes are disproportionate to national income, work load and the number of employees who work just 163 days or 1,157 hours in a year, against Japan's 2,180 and the US and Europe's 1,940 hours. Why won't our mandarins in New Delhi think of cutting down on the numerous holidays, leave-days and the no-work philosophy by introducing automation and cost-cutting programmes? This additional burden will be a further blow to the national finances and will only serve to increase inflation.

Tatya Tendulkar
Kolhapur (Maharashtra)

Administered prices

SIR—This refers to the White Paper on administered prices presented in Parliament earlier this month. It is significant to note that at the present moment, the government is laying great emphasis on prices for products manufactured by the public sector, although there are several products made in the private sector which also suffer administered prices.

In the White Paper, as reported in the press, there is a lot of talk of increasing productivity, increasing the efficiency of the public sector, absorbing cost increases, doing away with cost-plus pricing, passing on only unavoidable cost increases, etc. But after expressing all these admirable sentiments, at the end it is made almost clear that it will not be possible to do all this and therefore the alternatives available are, as per the standard refrain, to increase prices of public sector products or services, or increase the budget deficit, or prune plan outlays.

Nobody ever talks seriously of cutting non-plan outlays—only lip service is paid to it. Instead of threatening the people with dire consequences, the government should start by telling itself and its bureaucrats to increase efficiency and productivity or face drastic cutting of non-plan outlays. Only then will serious efforts be made by public sector units and the government to do what they should do in the interests of the economic growth of the country.

If the nation is to move towards greater prosperity for the greater number, strong measures are immediately necessary—the government cannot, and should not, expect the people to continue sacrificing and facing the consequences of an inefficient and high-cost public sector and government.

P.N.. Sampat
Bombay

Enough Swraj

SIR—The Swraj Paul affair has come to a close. It came like a thunderstorm and has drifted away due to strong winds, making loud thundering noises, but no downpours. It created a turbulence, but has proved that our foundations are stronger than envisaged.

It is now an episode in the history of the Indian private sector, where the role of the villain has been talked about and discussed by many and all, with the majority finally disapproving and disinterested. So what is the need for the Indian press to still go on about it? The affair should be discouraged and news of this villain who has failed miserably in his mission, aims and objectives, should be discontinued.

Sunil Prakash
New Delhi

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SPOTLIGHT/IIMM/0168

AUGUST 9

Several companies have reportedly cleared their excise arrears to get out of the blacklist of those owing more than Rs. 5 crores to the exchequer as excise dues (*BS*).

AUGUST 10

The external affairs minister P. Shiv Shankar has asked all the Indian diplomats abroad to promote economic as well as political diplomacy in the international arena (*FE*).

The former chief of army staff General Vaidya was assassinated by unidentified assailants in the Pune cantonment area.

AUGUST 11

The first meeting of the four member committee headed by the RBI's deputy governor Dr. C. Rangarajan inquiring into the Reliance loan mela was held in Bombay. The representatives of the Canara Bank and Syndicate Bank took part in the meeting.

AUGUST 12

The Union government has suspended the import of fertilisers following an unprecedented glut in the Indian market (*ET*).

According to a report from New Delhi the government has deleted the clause permitting conversion of non-convertible debentures from the new guidelines (*BS*).

AUGUST 13

The Union government made a proposal in the Lok Sabha to make it compulsory for manufacturers of hazardous chemicals to take out public liability insurance policies (*BS*).

The Rajya Sabha passed a resolution empowering Parliament to take steps to deal with terrorism along the western border areas (*FE*).

AUGUST 14

The Union finance minister V.P. Singh has presented a discussion paper on rational direct tax in the Lok Sabha. The paper proposes a uniform accounting year for all assessees, a National Court for direct taxes and wealth tax exemption up to Rs. 5 lakhs.

AUGUST 15

The Union government has decided to substantially raise the customs duty on capital goods import in an effort to protect the domestic goods industry (*ET*).

In his Independence Day address, prime minister Rajiv Gandhi announced from the ramparts of the Red Fort that the 20 point programme would be revised so as to generate employment (*FE*).

AUGUST 16

The Union finance minister has instructed the Reserve Bank of India and the financial institutions not to process loan applications received from the 21 companies that have been blacklisted following huge excise dues owing from them (*BS*).

AUGUST 17

The World Bank has suggested that the Oil and Natural Gas Commission award important projects on a turnkey contract basis without unnecessarily increasing project costs (*ET*).

AUGUST 18

21 states have together announced the issue of a new loan aggregating to Rs. 1,312.50 crores bearing 11 % interest.

The Andhra Pradesh government has estimated the loss due to the Godavari floods in the last few days at Rs. 700 crores (*FE*).

AUGUST 19

The Oil and Natural Gas Commission has launched an ambitious Rs. 100 crore plan to revolutionise its communications systems within two years (*FE*).

The leading financial institutions have set up a new company — Stockholding Corporation of India — to centralise the transactions related to the sale and purchase of shares, debentures and other securities (*FE*).

AUGUST 20

The programme implementation minister, Ghani Khan Chaudhary has placed before Parliament a restructured 20 point programme with its major thrust on poverty alleviation programmes.

The Soviet Union has reportedly expressed its desire to join the World Bank and the International Monetary Fund as a member country (*ET*).

AUGUST 21

Laldenga (60), the Mizo National Front leader, took charge as the chief minister of Mizoram.

AUGUST 22

The government has decided to suppl aluminium to engineering companies a international prices in order to boost exports in the engineering sector (*FE*).

BS=Business Standard, ET=Th Economic Times, FE=Financial Express

NEXT FORTNIGHT

September 1-12
Overview of ports
Venue: IIPM, Calcutta
Organisers: Indian Institute of Port Management, Calcutta (Tel: 459720)

September 1-27
Programme for young managers-19
Venue: Bella Vista, Hyderabad
Organisers: Administrative Staff College of India, Hyderabad (Tel: 36956)

September 4-8
India gems & jewellery fair '86
Venue: Taj Mahal Hotel, Bombay
Organisers: Gem & Jewellery Export Promotion Council, Bombay

September 4-6
Industrial marketing
Venue: Taj Residency Hotel, Bangalore
Organisers: Consulting & Research Enterprise, Hyderabad (Tel: 233048)

September 5
Tasks of a manager
Venue: Hotel Oberoi Towers
Organisers: Bombay Management Association (Tel: 2049698)

September 5
Innovative management responses to restrictive practices
Venue: Hotel Ambassador, Bombay
Organisers: Industrial Relations Institute of India, Bombay (Tel: 2044084)

September 6
What we can learn from Japanese management
Venue: Welcomgroup Chola Sheraton, Madras
Organisers: Madras Management Association (Tel: 475800)

September 8-12
Bus & crew scheduling
Venue: CIRT, Pune
Organisers: Central Institute of Road Transport, Pune (Tel: 83477)

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A relative evaluation

M.V. KAMATH

The us-based *Fortune* magazine's survey of the largest non-us industrial corporations and its directory of the top 100 non-us commercial banks are always educative if not, for an Indian, humbling. They serve to remind us how far we have to go to make any impact on the world economy.

It comes as a shock to know, for example that out of the top 500 industrial corporations outside the us, as many as 147 — the most for any nation — are Japanese. Indeed, of the first 10 top corporations, three are Japanese. Toyota Motors, Matsushita Electric Industrial and Hitachi. The three biggest, inevitably, are oil companies: Royal Dutch/Shell Group, British Petroleum and IRI. That, one would imagine, is par for the course.

Japan's economic progress can only be described as sensational. Of the 147 companies that made the top 500 list, as many as 24 are among the top one hundred, 28 in the second hundred, 33 in the third hundred, 36 in the fourth hundred and 26 in the last hundred. Britain comes a poor second to Japan with 77 corporations and West Germany third with just 55. France struggles behind with 36 and Canada with 32. Sweden follows the pack with 20.

Then come the stragglers: Spain, South Korea and Italy with 10 each, Australia with nine, matched by Netherlands also with nine, followed closely by South Africa with eight and Finland and Brazil with seven each. Little Belgium has six corporations to its credit in all those 500 followed by India with a paltry five. But to imagine that India could be beaten even by small countries such as the Netherlands and Belgium, not to speak of South Korea. Wake up, New Delhi!

NO CONSOLATION

The top five Indian corporations are, if one does not already know, Indian Oil, ranked 51st largest (slipping from the 1984 rank of 44th), Oil and Natural Gas Commission (153rd), Steel Authority of India (178th), Coal India (241st) and Bharat Heavy Electricals (413th — down from 395th in 1984). Of the five corporations, three are in the energy business. Oil, as always, is king.

There is a separate list of the top 50 world corporations; of these, to no one's surprise, 21 are American, including eight of the 10 biggest (General Motors, Exxon, Mobil, Ford Motor, IBM, Texaco, Chevron and AT&T). Most of the non-us corporations depend heavily on sales to America. So, even if they are not American, they can be called America-dependent. That is the way it is in international industry, trade and commerce. What comes as a surprise is that South Korea should be doing so well. It is clearly a nation on the move.

Fortune makes the snide remark — no doubt justified — that state-owned enterprises are not doing too well even if they are not in the red and cites the example of the French government-
owned automobile manufacturer Renault which lost $1.2
lion (Rs. 1,440 crores) in 1984. By contrast, France's priv
sector automobile company, Peugeot, had turned a $39 mill
loss in 1984 into a $604 million (Rs. 724.8 crores) profit in 198

The real shock comes in the tabulation of the top 100 co
mercial banks outside the us. In this field Japan clearly do
nates. Of the one hundred, as many as 30 are Japanese, incl
ing the top five. These are the Dai-Ichi Kangya Bank, the F
Bank, the Sumitomo Bank, the Mitsubishi Bank and
Sanwa Bank. The Dai-Ichi Kangyo Bank's assets of $166
lion (Rs. 1,99,200 crores) puts it right on the heels of Americ
Citicorp, the biggest bank in the world. And that is no me
achievement.

STAGGERING FIGURE

Of the 100 top commercial non-us banks, only one is
Indian bank: the State Bank of India, and it ranks 65th, wh
is no great show. France and West Germany each have
banks among the top one hundred while Britain has six a
Canada five. Australia, Belgium, Netherlands and Spain ha
four each. Spain which was once considered literally the si
man of western Europe has all but risen from the ashes. T
State Bank of India is listed among the lowest of the low
terms of assets per employee. That should not come as
surprise because the State Bank of India has about 27, 8
people on its payroll, a staggering figure by any account.
other bank in the world employs so many.

No other bank in the world has that many offices either. T
State Bank of India has 10,841 offices which suggests that it h
approximately 25 people for each office. The French Cais
Nationale de Credit Agricole has 10,605 offices but it emplo
only 74,091 people, the ratio per office being very low. T
richest bank, the Japanese Dai-Ichi Kangyo Bank runs 3
offices with a staff of 21,125 with a ratio of 57 people per offic
one of the highest. Obviously a large number of employees p
branch does not necessitate poor profitability provided t
employees are efficient and work diligently.

The State Bank of India's assets per employee is calculated
$133,708 (Rs. 16 lakhs) — a pittance considering the assets
the Japanese Narinchuken Bank's hefty $27,477,240 (Rs.
crores)while the median for all banks is $2,588,035 (Rs. 3.
crores). The State Bank of India, of course, can always boa
that it is a public sector company dedicated to providing em
loyment to the largest possible number of people, even if th
brings down efficiency and profits. The net income of the Sta
Bank is calculated as $ 25.96 million (Rs.31.15 crores)where
the net income of the Belgian Generale de Banque (a couple
ranks above that of the State Bank) which has 1,171 offices a
employs 15,639 people is $69.2 million or 2.3 times that of t
State Bank. That, probably, wouldn't worry the State Bank
India managers in the least. What are a few million here an
there if the bank can wipe the tears of every widow and bring
smile on the face of every individual employed?

But isn't it time we asked ourselves how come that countri
which are small geographically as well as in terms of populati
(Belgium, Netherlands, Switzerland, etc.) can best India bo
in banking and in industry? What excuses do we have? Th
India has been under foreign rule for too long? That Ind
started on the industrial road rather late? That it does not ha
much talent? All of these are poor — and wrong — excuses an
do not hold water. If we allow Spain and South Korea to be
us, we have only ourselves — and our national character —
blame.

We remain the low man on the industrial and commerci
banking totem pole. Still, there is one more consolation: w
can't go any further down — we can only go up.

BANKING AND FINANCE

RAVI R. SINGH MEHTA

Bank robberies: ill-advised move

The recent spate of bank robberies in Bombay and Punjab has appropriately become a matter of grave concern to government and the public alike, and in an attempt to control such crimes a reward scheme for bankers capturing or being wounded in the process of offering resistance has been introduced by the ministry of finance. But the fundamental question which arises is, is it the function of bankers to resist bank robbers? This question assumes importance because most banks employ security guards specifically for the purpose of resisting desperadoes. Yet the subject of whether or not bankers too should try and resist robbers is frequently debated in India and abroad.

One school of thought believes that bankers are custodians of public money and as such it is their duty to protect the public interest. The other school of thought however counterargues that it is not reasonable to expect bankers to resist heists at the cost of their lives. Money can be recovered or replaced, but not life, they say. It would be interesting to examine the views of banks and bankers who belong to the second school of thought.

Jeopardising safety. Lloyds Bank, one of the big four clearing banks in Britain, has responded to a query by this writer stating "... our policy is that bank staff should not become involved in trying to apprehend robbers and we would not wish to put them in a position which would jeopardise their personal safety. We do as you suggest, encourage them to try and obtain a good description of the people involved..."

Another British banker Don W. Fiddes of National Westminster Bank, currently on secondment as director of studies in The Institute of Bankers, London, says that it is the practice of all the banks in Britain to advise their staff to accede to the robbers' demands and to calmly observe any physical features of the robbers that may be apparent. In Fiddes' opinion, banks or their branches should endeavour to keep the amount of cash to the absolute minimum. This means that even when the robber is successful, the amount of his haul is likely to be relatively small.

In the US too, bank managements advise their employees to avoid risking their lives. The US Bank Protection Act, 1968, says that "employees should be instructed to avoid actions that might increase danger to themselves or others." Accordingly, most US banks have instructed their staff not to take risks. In this connection, a US bank has given its employees 10 basic instructions in case of robbery, two of which are: (i) Take no risk. Try and remain calm. Do nothing to provoke the robbers; and (ii) Obey the commands of the robbers exactly and promptly. Don't try to be a hero.

Unnecessary injury. In India, Dr. B.R. Sharma, director of the Central Forensic Science Laboratory, Chandigarh, who is often invited by banks to lecture bank employees on the subject of bank security, comments: "Some governments and banking institutions encourage their employees to oppose robbers. This is highly undesirable. It results in unnecessary death and injury, without much gain." According to Sharma, bank employees should restrict themselves to carefully observing the robbers and at best attempt to activate the bank's alarm system as stealthily as possible. "Instruct staff that the bank robber is highly tense, desperate, armed and ready to resort to violence. He should, therefore, not be opposed either in word or deed. He should be obeyed and whatever he asks should be done: no more, no less. The staff should neither behave like cowards nor like heroes," says Sharma.

In the light of these observations from seasoned bankers it is quite obvious that bank employees should not be encouraged to resist the robbers at the cost of their lives. Consequently promising them rewards, promotions and increments and or promising jobs to their dependents in the event of their death while resisting bank robbers, is a short-sighted and ill-advised move. Bank employees other than security guards are employed to discharge banking functions, not to indulge in amateur heroics. The best way in which bank managements can contribute to safeguarding bank depositors' interests is by suggesting systems and procedures which would improve security rather than engaging in confrontations which could have fatal consequences.

TAXATION

Singh's radical proposals

The new broom of Vishwanath Pratap Singh continues to sweep clean. Living up once again to a promise that he had made in his epoch-making long term fiscal policy document of November 1985, on 14th August Singh unveiled a bold and dramatic set of proposals to simplify and rationalise the direct tax laws of the country.

This step has been overdue. Even at the height of the infamous tax raids that V.P. Singh had launched with much fanfare against the big guns of industry — which made him the butt of much criticism within the ruling party itself — it could hardly be denied that the plethora of tax legislation built up over the years had become a veritable millstone around the neck of the harassed taxpayer. With the discretionary powers of the guardians of the state exchequer reigning supreme, and rampant corruption and blatant red-tapism inherent in the tax administration system it was plain that only thorough-going tax reforms could restore the confidence of taxpayers in the intentions of the Central government's tax collection machinery.

To Singh's credit, it must be said that the very philosophy of the new proposals, which are open to public debate, is a welcome break with the past. As Singh explained in the series of press conferences and television appearances conducted to popularise these ideas, "This paper implies a fundamental and radical departure from the existing approach of direct taxes. The new approach rests on three legs: trust in the taxpayer, drastic simplification of procedures and inescapable punishment in case of breach of trust." It was obvious from the latest proposals that Singh — unlike most politicians — means what he said.

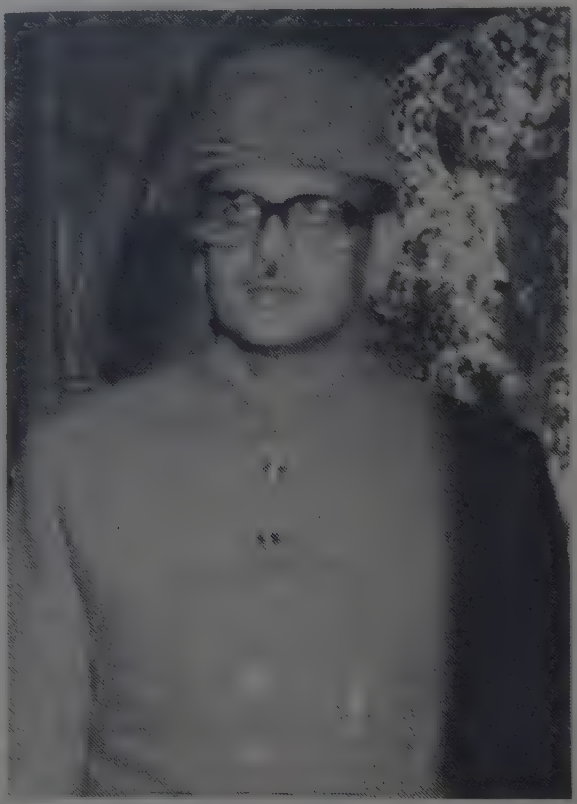
Sharp departure. As a consequence the very concept of 'assessment' has undergone a sea-change. For the first time the government has stated that it will unquestioningly accept the incomes and the taxes declared by an assessee. As M.S. Narayanan, chairman of the Central Board of Direct Taxes told newsmen, "We will choose a 5% sample from all direct tax returns across the country on a random basis. Only this 5% of assessees in any financial year will be required to prove that what they have claimed is legally justified." This is a sharp departure from the existing practice under which the returns of all taxpayers with incomes of over Rs. 1 lakh are exhaustively verified. However, the corporate sector is beyond the purview of this exemption.

Despite its utter-simplicity, the radical nature of this proposal cannot be denied, and instantly puts the principles of tax administration in this country on a par with those of the most advanced nations of the world. As Aroon Basak (63), director general of ASSOCHAM exclaims with utter sincerity, "The idea of self-assessment which involves the filing of tax returns across a counter and trust in the taxpayer is an absolute departure from past practice. It totally cuts the ground from under the feet of the income tax department and removes much of the terror that is involved in filing tax returns."

Yet, scepticism still abounds with regard to the efficacy of a highly unorthodox idea in a society in which corruption has become a way of life. As O.P. Vaish (54), a senior tax lawyer and chairman of the FICCI subcommittee on taxation points out, much will depend on what percentage of the sample 5% is prosecuted after verification. "In the US for example, virtually everybody in the sample is taken to task as an example for the rest. But here, I fear that a high percentage of prosecutions will result in a tremendous amount of political pressure to revert to the old system."

Ceilings lifted. "If you ask me which of the provisions is conceptually imaginative, I would single out the attempt to do away with tax provisions that result in the computation of artificial or notional income; focussing instead on the taxation of only real incomes," says Basak. As a result, all ceilings hitherto imposed on legitimate expenses on advertising, travelling and entertainment, are proposed to be lifted. In addition, ceilings on the amount of bonuses payable to employees and the remuneration payable to directors of companies are also proposed to be withdrawn. Only the commercial profits of the corporate sector will be subject to taxation.

Even as corporate managers have responded with glee to these proposals, the Janus-faced revenue department, confronted with the unhappy prospect of a fall in revenue, has made what can only be described as an infamous suggestion. "Along with the reduction in the rates of taxation, liberalisation of provisions for depreciation and withdrawal of restrictions on allowance of genuine expenditure, the withdrawal of certain exemptions and deductions should be considered to be part of a package programme for computation of real income," says the paper.


Singh: dramatic proposals

As these non-specified "exemptions and deductions" possibly pertain to items such as backward area subsidies, etc., a perplexed Vaish says : "I see no logic in linking a set of incentives which is dictated as part of state policy to ensure one set of objectives, to this artificial disallowance of expenses as practiced today. If the government thinks that those objectives have been satisfied, then let them do away with them independently. How on earth can you link the two?"

Yet another instance of the simplistic approach of the government that is drawing much flak is the decision to decree a uniform accounting year, coinciding with the government's own financial year ending on 31st March for all corporations and individuals. "A simple change like this can cause chaos. Auditors will be hard pressed, assessments will be submitted *en masse,* seasonal industries and foreign companies will be inconvenienced," says Vaish.

Although the ministry's logic is that it would be equitable and facilitate cross-verification of transactions, one significant fact appears to have been overlooked. If all companies closed their accounts at the same time, dividend announcements and annual results would also be clustered together probably by August-September, leading to tremendous pressure on the stock exchange as well as the banking system as dividends and bonuses are disbursed throughout the corporate sector.

Travesty of justice. Also despite the g
eral air of confidence and trust tha
sought to be created around the tax
ministration process, a formidable a
of punitive measures have also b
drawn up to ensure effective co
liance. Perhaps the most significan
this set of measures is the doing awa
provision of *mens rea* or 'intention
deceive' which is the foundation ston
the country's criminal jurisdict
system. "However the onus of prov
all the elements of the offence exc
culpable mental state will remain w
the income tax department. The onu
proving the absence of the existence
culpable mental state will now be w
the assessee," says the paper. As
lawyers have been quick to point c
this is a travesty of the principles
natural justice.

The fear that the ministry may be
ing too far is compounded by the f
that the whole system of ensuring jus
in tax matters is sought to be tampe
with. While the advisory and even w
jurisdictional powers of the high cou
will be taken away, a National Court
Direct Taxes with all-India jurisdict
and benches all over the country will
set up instead with both technical a
judicial members. Yet, as Vaish ve
mently says, "I would like to be v
clear about my total rejection of t
scheme. The so-called National Cour
only an administrative tribunal. Wh
then is the scope of an independent ju
cial review? Would an administrative
bunal even go against departmental c
siderations?" he asks.

Despite the fact that frequent appe
from different stages of authority to p
vent taxes from being claimed, it
hardly advisable that the administrati
usurps the powers of the judiciary, le
ing the taxpaying entity without the ri
to contest genuine matters of disp
which normally entail points of interp
tation of the law. The consensus of o
nion amongst monitors of the econom
that not only should the present right
appeal be left untouched, the Natio
Court of Direct Taxes should be set
under the ministry of law to ensure
independence.

Unheard of cooperation. Despite the l
key reception to these proposals, it
clear that industry is well aware of t
importance of the changes that
sought to be ushered in. Once again, t
lack of public statements by the captai
of industry is symptomatic of the n
approach of V.P. Singh. Despite the
proposals having been readied by a te
of experts from the revenue departme
of his ministry quite a while ago, th
were not thrust down the throat of t

UNIT
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industry. Instead, high-level briefings with organisations such as FICCI and ASSOCHAM were organised to acquaint them with the government's line of reasoning and to ask for their own ideas on the subject — an unheard of spirit of cooperation between a finance minister disdainful of these very captains of industry, and his sullen constituents.

Anand P. Raman in New Delhi

INDUSTRY

Fertiliser industry fears

In a country which has the somewhat dubious distinction of being the second most populous nation in the world, feeding the millions of hungry and not-so-hungry mouths has always been an issue which has exercised the minds of invariably well-fed 'rulers.' The inevitable political consideration being especially important, food availability and its related aspects can seldom be far from the collective consciousness of governments at the Central or state levels. This perhaps explains why virtually every aspect of the fertiliser industry, be it the location of a plant, the choice of feedstock and technology, the price of raw materials, distribution costs, distribution patterns and the market price, is controlled by the government. The latest example of such control is evidenced by the recent (14th August) decision to suspend fertiliser imports, albeit only for the time being.

Not that this is something over which the fertiliser industry will raise a hue and cry. Even those who have hitherto made a pile handling imported fertilisers are unlikely to complain because inventories have reached comparatively dizzy levels. In fact, the phrase "unprecedented glut" is quite popular with fertiliser industry managers these days. The decision to suspend imports has therefore been welcomed by both manufacturers and distributors of fertilisers.

The audible sighs of relief within the fertiliser industry are hardly surprising given the rather sudden growth in aggregate fertiliser inventory levels. According to *The Economic Times* (14th August), while in January 1984 stocks in silos and field warehouses of manufacturers were 319,000 tonnes, in January 1985 they were marginally higher at 393,000 tonnes. Yet these inventory levels have since shot up to 851,000 tonnes in January 1986, 930,000 tonnes in February, 1.08 million tonnes in March, 1.5 million tonnes in April and 1.6 million tonnes in May. This means that inventories have almost doubled over a period of just four months.

At the same time, anticipating good demand, fertilisers were imported in a fairly liberal measure — about 9 lakh tonnes in 1985-86. Consumption however, has shown an overall increase of just 8.5% in 1985-86 over the previous year. Thus, the industry is laden with stocks of about 5 million tonnes valued at around Rs. 1,000 crores.

But everybody in the industry is not down in the dumps. Comments K.N.N. Menon (56), general manager (marketing) of Madras Fertilisers Ltd. (MFL — sales: Rs. 225 crores in the year ended 31st March 1986) matter-of-factly: "The glut that is existing right now is a seasonal condition. Last year, there were drought conditions in many parts of the country and this year has also been bad. This is why offtake has been poor."

Dwarakanathan: temporary phenomenon

G. Dwarakanathan (55), vice president (finance) of Southern Petrochemical Industries Ltd. (SPIC — sales: Rs. 561.16 crores in the year ended 31st December 1985) endorses Menon: "Today, the situation of glut that exists in the fertiliser industry is a direct consequence of the weak monsoon. This is a cyclical and temporary phenomenon. Once every three years the monsoon tends to be weak. One should not get worried over temporary aberrations in monsoon conditions."

Unfortunately, the stockmarket is more than a little worried. Expectations are that the staggering inventory levels plus the consequent desperate attempt by many companies to clear stocks even by offering discounts, will serverely tell on the bottom-lines of fertiliser companies. Consequently the prices of the equity shares of many fertiliser companies have suffered a setback in recent times. For example, SPIC went down from a 1986 high of Rs. 184 (cum-bonus) to Rs. 63 on 14th August, GSFC slid to Rs. 156 from a 1986 high of Rs. 189, GNFC from Rs. 75.50 to Rs. 65.50 and Zuari Agro Chemicals from Rs. 125 to Rs. 84. As a consequence *The Economic Times* sectoral index for fertiliser equities plunged by about 15% from its 1986 high which is more than the fall of around 13% for all industries.

This sudden run into rough weather follows a period of fairly good performance by the fertiliser industry as a whole. Comments Dwarakanathan: "Most fertiliser companies have done well, particularly last year. Many of them are profitable and able to stand on their own feet. In fact, most of them are in a position to finance upgradation in technology, expansion in capacity, etc. This is a very good sign. The government of India should be given credit for nurturing this industry. Today, in the fertiliser manufacturing world, India is a force to reckon with."

Special praise. In particular Dwarakanathan singles out the Union government's oft-maligned fertiliser pricing policy for special praise. "Any policy has its drawbacks. But one must see whether on the whole, it has contributed to stability in supply, increase in production, financial stability of companies, etc. If you apply these criteria, then the pricing system is working well," says Dwarakanathan.

However opinion on this subject is not unanimous because not everybody has benefitted from the current pricing system. Comments the California educated L. Vasudev (41), financial controller of MFL: "The price has been fixed on the basis of certain assumptions, e.g. a post-tax return of 12%. The capacity utilisation norms are also quite stringent; the best performance over a period of three years is taken. Thus, some units are allowed more cushion than the others. We (MFL) find that we have the least cushion among all the companies in the industry."

Nevertheless quite a few companies, more so the newer ones, have been showing encouraging results. The profitability of this industry has also received adverse publicity, the political element once again playing a threatening role. The argument that follows is that since the fertiliser companies are showing profits, some fairly sizeable, the subsidy to the industry which has increased phenomenally can surely be reduced.

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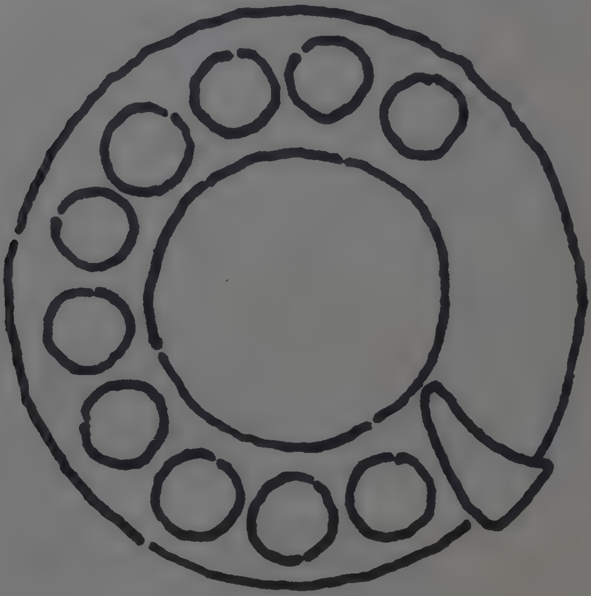

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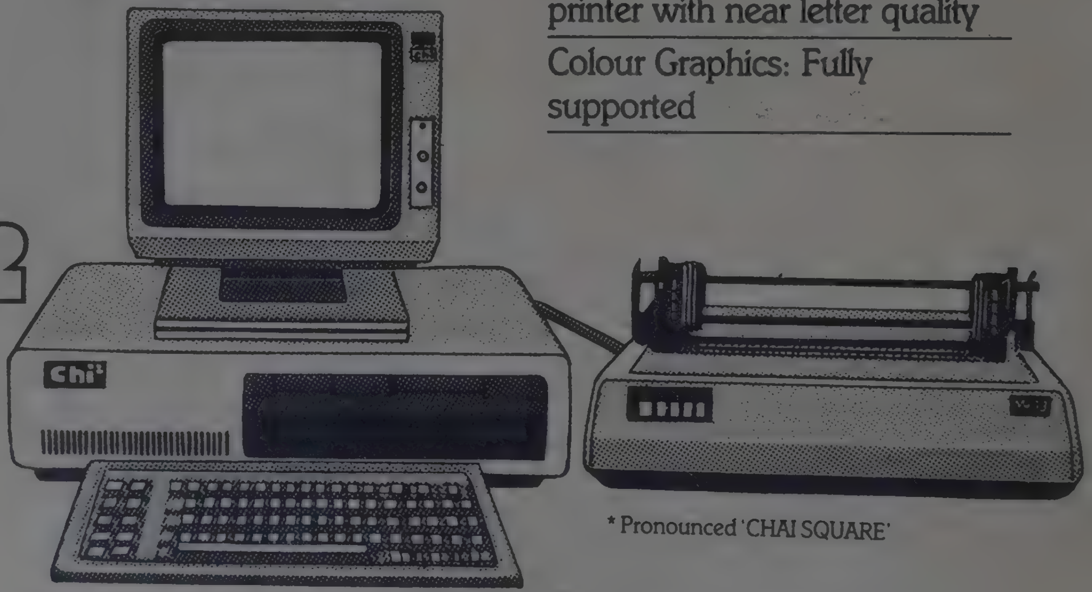

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Predictably, those in the fertiliser industry give short shrift to such arguments. Argues Vasudev: "True, there has been a dramatic increase in the absolute amount of subsidy. That is because the retention price is doing precisely what it is supposed to do, namely, encourage reinvestment, de-bottlenecking in existing units, encouraging the promotion of new units, all thereby leading to increased domestic production, etc. Anyone intelligent enough will realise this. Possibly, the government finds it difficult to handle success." Adds Dwarakanathan: "The fertiliser subsidy is not for the fertiliser industry; it is a subsidy to the Indian farmer which has been distributed through the fertiliser industry purely for reasons of administrative convenience."

At this moment, there is a committee of secretaries which is expected to take a decision on the B.B. Singh Committee report on the upward revision of the retention prices for the industry. This decision is being eagerly awaited by managers within the industry—it could mean greater profits for some fertiliser manufacturing companies though it could also sound the death-knell for some others. Till then, apart from helping itself, the industry will also have to propitiate the rain gods.

Chandu Nair in Madras

COMMODITIES

Darjeeling's bitter cup

The mainstay of the Darjeeling hill area — the over 115 year old tea industry — is in the doldrums due to the Gorkhaland stir. Until about two months ago, apart from periodic agitations, industrial relations in the tea estates in this area which grows the world's most highly prized tea, posed no serious problem. Trade unions led by the CPI(M) ruled the roost in the majority of gardens, though the Gorkha League and Congress(I) followed in its wake winning the allegiance of a sufficient number of workers to be constituted into minority unions.

However, with the Gorkhaland agitation gaining momentum over the past six months, apart from the loss of production (an estimated Rs. 5 crores due to the five day *bandh* held in the last week of May) the polarisation of the tea garden labour force into pro and anti-Gorkhaland groups is causing a great deal of concern within the managerial community in the picturesque tea estates of Darjeeling.

Against this backdrop of political turmoil, two recent incidents — the murder of the head clerk of Ambutia Tea Estate on 9th August apparently by supporters of the Gorkha National Liberation Front and the continued operation of the 309 acre Badamtam tea garden of the Goodricke group by its 30 workers in spite of an official lock-out declared by the management on 6th August — has generated a great deal of anxiety within the small and tightly knit community of tea planters, painstakingly attempting to nurse the area's tea estates back to health.

Unfortunate turmoil. "Darjeeling has only just got out of the dumps," says Bharat Bajoria (33), chairman of the Darjeeling Planters Association and managing director of Teesta Valley Tea Estates. "It is a well known fact that Darjeeling gardens have not made any profits to speak of for over a decade. This is because a large number of erstwhile owners of estates in this area did not reinvest money in their estates for the modernisation of the gardens and the factories. After much hesitation, the commerce ministry and the Tea Board agreed to a scheme of interest subsidies for term loans to modernise the Darjeeling gardens as a part of a revival and rejuvenation programme. But just as the development work got off the ground, the tea gardens have unfortunately become embroiled in political turmoil. It is unfortunate that just when the tea garden managements are attempting to put these estates back on their feet, their work rhythms are being upset by this stir."

According to information available, the immediate provocation for the murder of the head clerk Indrajit Pradhan, of the Ambutia Tea Estate was the fact that the paybooks had not been prepared for the payment of wages to the tea garden's workers. When the workers confronted Pradhan, he is reported to have told them that the paybooks could not be prepared due to the prolonged *bandh* in the Darjeeling hill areas. This is believed to have led to violent altercations in the course of which Pradhan was stabbed.

According to press reports, in the beleaguered Badamtam tea estate, a lock-out notice posted on 6th August claimed that the workers had deliberately flouted the management's directions relating to the plucking of tea leaves and hence ruined the quality of the tea in the garden. Subsequently the tea garden's managers were threatened for over 10 days by a section of labourers while political activists wandered around staff bungalows in the estate and the factory brandishing *khukris*.

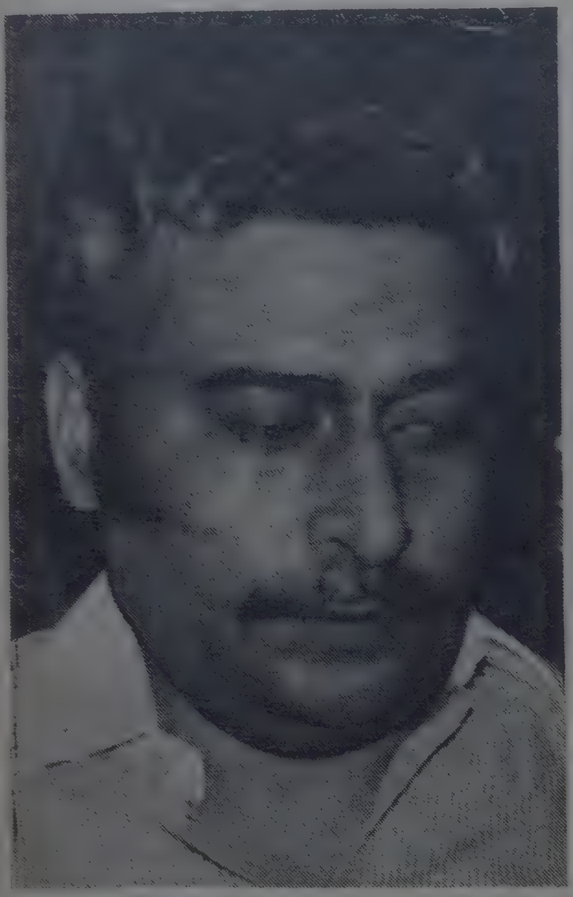
Threatened by the lock-out, the workers formed a plantation committee to run the garden. The management of the Goodricke group (which owns two other gardens in the area, Barnesbeg and Thurbo) is resigned to the Rs. 14 lakh loss that the agitation is likely to cost the company while waiting for tempers to cool down. But tea industry spokesman are not so nonchalant about the agitation which is likely to erode the tea companies' profitability considerably.

Quality loss. "The loss that the industry will suffer as a result of the work stoppage and indiscipline can be bracketed into two categories — the immediate loss of crops which has been estimated at around 3% of the total tea crop of the area — and the consequential loss in quality," says Bajoria quoted earlier. "Tea is a standing crop that has to be tended on a daily basis and if the two leaves and a bud are not plucked at the appropriate time, the quality suffers — as will the image of Darjeeling tea," he adds.

This concern for the profitability of the tea gardens and for the quality of Darjeeling tea can best be comprehended by a study of the economics of the tea industry in the hill region. According to industry estimates, because of low yields, Darjeeling tea estates produce an average revenue of Rs. 18,000 per hectare *cf.* the all-India average revenue of Rs. 24,000 per hectare. Yet the minimum expenses incurred in an average Darjeeling estate per hectare under tea is around Rs. 22,750, of which around 52.75% is paid in cash to employees by way of salary, wages, provident fund, gratuity, etc. and an additional 8.8% is spent on welfare schemes such as providing subsidised rations, free medical treatment, housing, firewood and other amenities, totalling to a very high 61.5% of the cost of production.

Despite this, an average worker in Darjeeling plucks less than 8 kg of green leaf per day against the average of 25 kg in the tea estates of the plains. Because of low employee productivity, the 18,000 labourers currently employed in the tea estates in the hill areas produce around 11-12 million kg of Darjeeling tea annually. Yet the annual global trade volume of Darjeeling tea is estimated at around 45 million kg. This discrepancy is explained by the well-known fact that blenders all over the world market non-Darjeeling blend brands under the Darjeeling tea label. Consequently over four times the actual production is sold spuriously in world markets as Darjeeling tea, say tea industry spokesmen.

"Darjeeling in certain parts of the world has become a brand name for quality tea — it does not symbolise the area



Dudeja: generic use

where it is grown. It is used generically. Consequently not a few Darjeeling tea drinkers abroad are unaware that Darjeeling is located in India. And with so many prestigious Darjeeling brands proliferating in the international market, many consumers — not to speak of salesmen — genuinely believe that Darjeeling is a province of Sri Lanka or Kenya," says Vijay Dudeja (47), managing director of the well-known Calcutta-based tea broking firm Contemporary Tea Co. Ltd.

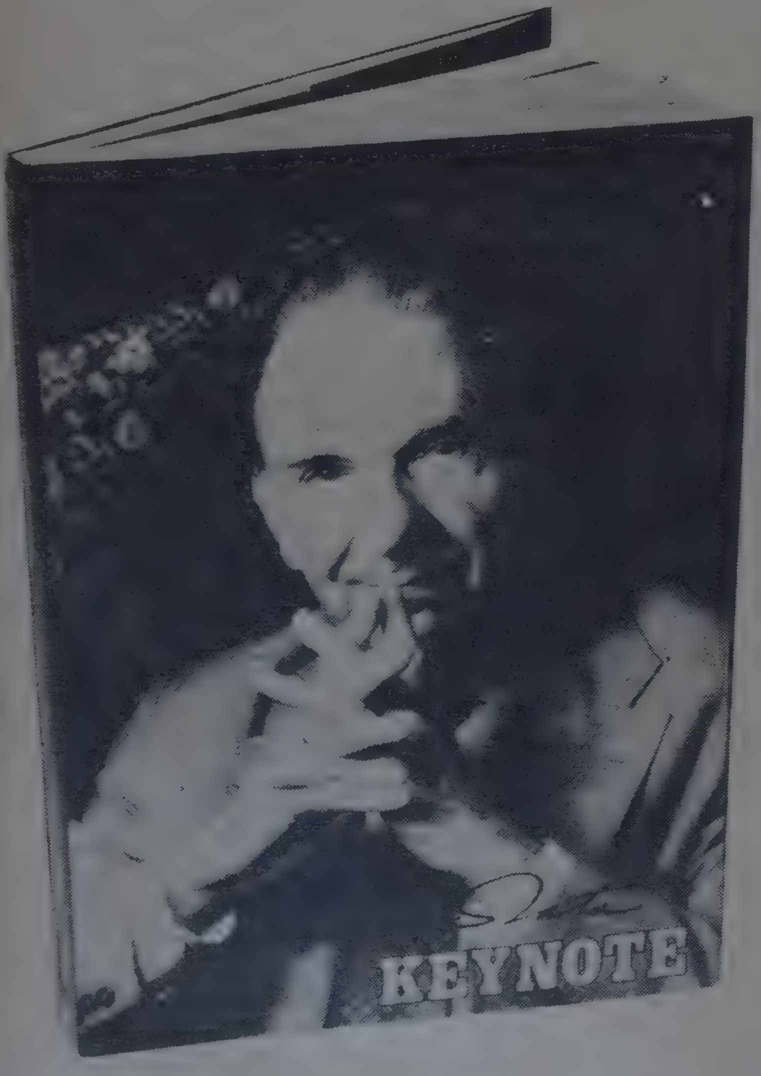
Darjeeling patent. Not surprisingly, to stop the commercial exploitation of the Darjeeling label the Tea Board and the Darjeeling Planters Association are demanding the registration of a worldwide patent for the use of the word 'Darjeeling.' Their demand is that the Darjeeling label or description should be used only on packets that contain genuine Darjeeling grown tea.

"A worldwide promotional campaign to educate the world about the true origins of Darjeeling tea and publicising the facts regarding the availability of the genuine product is on the anvil. Simultaneously enforcement meas that will strengthen the legal arm protect the Darjeeling logo and pa are also under consideration. But activity has received a serious setb after the recent agitation in the areas," says S.K. Bhasin (55), the Calcu based managing director of Goodricke group and the for chairman of the Darjeeling Plan Association.

With so much at stake, manager estates in the area are banking on speedy restoration of peace and malcy in the hill areas. "We are timistic that good sense and logic prevail," says Bajoria.

As we go to press, reports indicate Darjeeling's maimed tea industry slowly limping back to normalcy. despite the optimism of some planters, the Gorkhaland stir has ca long shadow on the efforts being mad ensure that the champagne of teas is corded its rightful position in the markets of the world.

Debjani Sinha in Calcutta



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BusinessWorld
September 1—14, 1986

MANAGEMENT

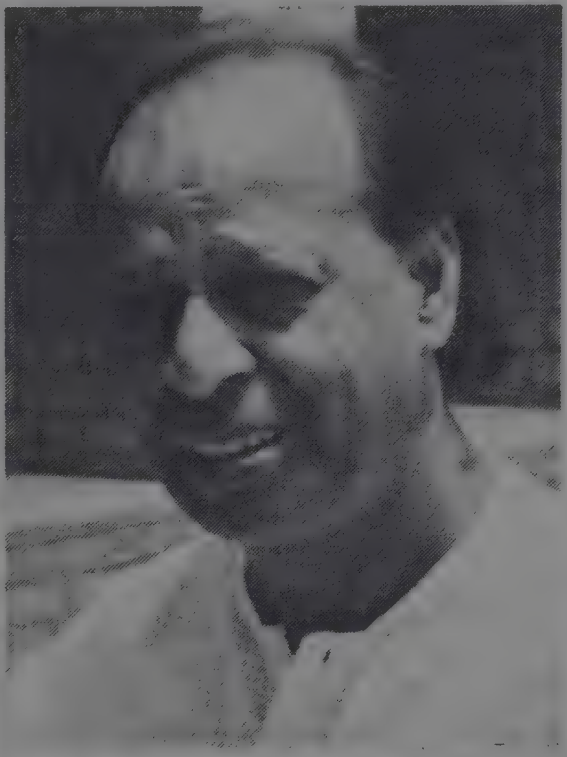
Message and medium

Corporate managers are not generally known for the virtue of tolerance. And when at least some of them upped and left the venue of the First International Conference on Transcience and Transitions in Organisations organised by the Indian Society of Individual and Social Development (ISISD) at Bombay (17th to 20th August), it was not hard to see why. Like other academic jamborees, jargon-spouting academics were at their mind-numbing best at this conference as well, and the less tolerant manager was duly impressed to the point of making a rapid exit.

Take for instance this example of the quality of prose that was in abundant evidence during the entire conference. "The international conference of ISISD is in the nature of the institution of *Rajsuya Yagna.* It is a call to intellectuals to take stock of the dysfunctionalities of the social phenomenology, assess the lack of correspondence, convergence, congruence and coherence between the human psyche and social design and formulate and recommend a framework to create an organismic social design to set man and society on a path to new horizons for mankind."This summing up of the aims and objectives of the conference by its organisers could easily persuade even a high level practitioner of the art of Marxist dialectics to seek cover.

Yet beneath the verbiage, the ISISD conference, which was attended by over 200 delegates including several international management experts, was undoubtedly one of the more important events in the world of Indian management in recent times. Comments Pulin K. Garg (59), a doctor of psychology of the University of California (Berkeley), and currently professor of organisational behaviour at the Indian Institute of Management, Ahmedabad: "To put it in simple words, the conference is designed to generate theoretical understandings of contemporary corporate organisations which take cognisance of the cultural context within which organisations exist. Most management theorising today is based on western theories and perceptions of man and whenever these theories prove inadequate or incapable of explaining the reality in India, the Indian personality or culture is blamed. Every now and then we are told by western experts or by Indians who subscribe to western theories that Indians are schizoid or infantile or authoritarian or naturally lazy and so on. Such characterisations can only be described in terms of a single word: bunk."

Superior methods. Garg rejects such negative characterisations entirely, and says that one of the aims of the seminar was to construct theories which can explain what is happening in India today without ending up with the usual condemnation of Indian civilisation and culture. "Indeed, we believe that Indian civilisation has evolved methods of structuring people's lives, organisations and institutions which are superior to western norms in important respects. We are attempting a study of the 'processes' — to use a bit of jargon — that these methods are based on and then to recreate organisations based on these processes," says Garg.



Garg: intellectualised nationalism

But though Garg's strong and highly intellectualised nationalism was not exactly manifest in the scores of papers that were presented at the three day conference, few would deny the validity of these 'statements' — the existentialist jargon for thought, idea or comment. Indeed the trend towards constructing culture-specific theories is by no means novel even within the groves of western academia, and is rapidly becoming the dominant 'paradigm of discourse.' Garg, who along with Indira Parikh (43) — currently professor of organisational behaviour at the IIM, Ahmedabad — founded ISISD in 1978, readily admits as much.

But it is in actually generating culture-specific theories and ideas pertaining to the Indian organisational reality that Garg makes a claim to honour and recognition: "There were several interesting and useful ideas that were generated at the seminar. It was argued for instance that Indian institutions and organisations have a very different and humanly more rewarding notion of roles assigned to people. Within the average Indian institution, roles are not defined functionally, but in terms of broader tasks to be undertaken. This looseness of definition provides individuals with a greater degree of 'space' and enables them to utilise a wider range of personal skills. Yet another typically Indian social practice which could be advantageously deployed in the contemporary corporation is easy access to the vision and rationale on which an institution is based."

Rich tradition. Comments Sushanta Banerjee (38), an engineering graduate of IIT, Delhi, and a management post-graduate of IIM, Calcutta, and one of the founder members of ISISD: "In the contemporary Indian environment, the why of policies and the overall game plans of institutions and organisations are only partially revealed to employees especially those at the bottom of the hierarchy. This practice is mostly clearly manifest in the attitude of the government to the citizen. Without full access to this kind of information, employees tend to feel like cogs in a wheel or functional automatons and soon lose motivation. Yet there is a rich Indian tradition both within the institution of the family and social institutions such as *panchayats* where the opposite is true. Members of a panchayat consequently develop a sense of involvement and belonging to the institution which is rarely seen in contemporary Indian institutions. We would like to see this tradition re-incorporated into Indian institutions."

Evidence that 'debriefing' of this kind is feasible and produces excellent results within the business organisation was provided by Gurcharan Das (40), managing director of the Bombay-based Richardson Hindustan Ltd. (RHL — sales: Rs. 32.68 crores in the year ended 30th June 1985). Das presented an interesting and subsequently much discussed paper at the seminar in which he detailed how he sat down and clarified to himself the overall vision he — as chief executive of RHL — subscribed to, and how he subsequently communicated this vision to his employees, and how he encouraged and received more than a few doubts and questions about his overarching plan.

The results of the exercise, says Das, were gratifying. "I saw my colleagues begin to identify with the objectives of the organisation more closely, and give much more commitment to their jobs than they had in the past." (Das was one amongst several chief executives who attended the conference and spoke about their experience of building organisations in the Indian environment.)

Nor is this all that the rich Indian tradition has to offer to Indian management, says Indira Parikh, a postgraduate in education of the University of Rochester who obtained her doctorate in business management from the University of Gujarat. "Traditional Indian social institutions do not differentiate between an individual's family and the individual. The individual is seen as an extension of the family unit, and his or her role at the workplace is not separated into a watertight compartment from his role as a family member. This makes for greater richness and variety in the workplace, while simultaneously taking account of the needs of the family as well. This tradition is in sharp contrast to the role differentiation between home and work that is the norm in today's business organisation. The typical contemporary business executive is forced to neglect the needs of the family even while imposing the pressures of the workplace on his family. As a result, both roles (within the family and within the organisation) suffer. What we need is a restructuring of business organisations in such a manner as to allow individuals to discharge all their roles adequately."

Suppressed reality. That much of this may sound like sophistry, naive idealism or empty posturing is a risk that Garg and the 120 members of ISISD are willing to take. But Garg is convinced that behind the modern form of the contemporary business organsiation in this country lurks a suppressed Indian reality, which is screaming for recognition and validation. "The day when Indians are confident enough to accept themselves as they are is not far away. When this happens we can begin to distill the process essence of Indian civilisation into new corporate forms that suit our genius the best. In the meanwhile we can only encounter the pains of transcience and transition resulting from the superimposition of a western world view over Indian civilisation."

Certainly, there is undeniable merit in this view, but the ISISD may find its mission of recreating a more Indian business organisation more easily achieved if its members speak not in many tongues, but in a widely understood language. The message is far too important to be wasted in the obscurities of academese.

Michael Neri in Bombay

ECONOMIC COMMENT

N. KANAKASAB

NRI investors' woes

These days one hears a lot of talk in the Indian capital market abou tapping funds from non-resident Indians (NRIS). Estimates made by man so-called experts calculate the investible savings of NRIS in terms of billion of dollars. To tap these funds, new concessions are periodically announced b the finance ministry and share quotas for NRIS are set aside by many companie going public, raising fears among residents that too much is being offered to NRIS.

NRIS can be broadly divided into two categories. Those who have gone abroa for short term periods — mainly for temporary or contract employment — an those who have settled abroad permanently. The first category consists mainly o Indians in West Asian countries and the second, of Indians settled in industrialised nations such as the US, Britain, etc. Due to uncertainty in politica and economic conditions and the virtual impossibility of permanent settlement the first category of Indians tend to remit most of their savings to India. Som Indians also keep their savings in other countries but at the time of their retur most of it flows back into India. NRIS in the second category retain most of thei savings abroad with very little flowing into India. A study of non-residen shareholders in any Indian company will reveal that most of them are Wes Asia-based, And they are given a raw deal.

In India, an applicant to a public issue has access to a company's prospectu which provides detailed information about the company. Also advertisement and news reports in the press provide vital additional financial information. Du to the high cost of postage, very few companies send prospectuses to NRIS. Th practice is to send thin glossy brochures highlighting only the positive aspects o the operational performance of a company together with application forms.

Large companies such as Reliance Industries stage investor conferences t brief NRIS about the company. But representatives of brokers, banks and th company itself consider such visits as mere shopping trips.

Again, companies going public are supposed to inform NRIS at the same time a residents when the allotment of shares is finalised. Yet except for a few companies which finalise allotments within three to four months, most of them tak around six months. In fact companies such as Tristar Soya don't even inform their NRI applicants of the allotments or refunds. The NRIS learn of the fate of thei applications only from their own bankers when the latter send their bank statements.

NRI ordeal. Even when shares of a company are allotted, what follows is a ordeal for most NRI investors. A large number of companies do not send share certificates to NRIS for an unconscionably long period. The list of such corporations is very long and headed by companies such as Organic Chemoils, which took almost two years to send its certificates, while Sagar Soya Products, Varinder Agro Chemicals, Maheshwari Proteins and Midwest Leasing each took over one year.

Another common strategy of companies is to send NRIS consolidated share certificates which are not in marketable lots. Invariably the NRI sends the certificate for splitting up — a process which takes three to six months. Companie such as Orkay, Chemfab Alkalies, etc. did this to all shareholders and severa other companies followed suit.

Some unscrupulous companies also hold up their share application forms and then try to sell them through a broker at a premium with a firm promise of allotment. Many non-residents fall prey to this ploy and pay a premium for shares which later on are either not traded in the stock exchange at all or traded at a discount.

Blind eye. NRIS, especially those in West Asia, have been forced to overcome many obstacles to invest their hard-earned funds in public issues of Indian companies. Sadly, the controller of capital issues, the Reserve Bank of India and the Union finance ministry are all turning a blind eye to the problems of this section of the investor community. As a consequence even Indian companies which deserve support from NRIS are liable to suffer if the present trend continues. The recent slump in the demand for corporate paper from NRIS is only a beginning; if nothing is done to streamline the process through which NRIS can contribute to the growth of the corporate sector, the flow of funds from NRIS will soon dry up.

BusinessWorld
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Initial expenses deductibility

H.P. RANINA

After incorporating a company, any expenditure incurred before the 'setting up of the business' of the company is not deductible because s.28 of the Income Tax Act, 1961, requires that profit considerations should relate to an on-going business. Consequently the date from which expenses become deductible is the date of setting up a business, though the business itself may commence at a later point of time.

Difficulties arise in determining when a business can be said to have been set up. Is the relevant date the date of installation of the plant and machinery or the date of its commissioning? Or is it the date of purchase of raw materials or the date of manufacture of finished products? There are several decisions of courts on this point but unfortunately, no clear-cut principle emerges from them.

The first decision is that of the Bombay high court in *Western India Vegetable Products Ltd. v. C.I.T.* (26 I.T.R. 151). In this case, the assessee-company was incorporated on 29th December 1945, with the object of running an oil mill and it obtained a certificate of commencement of business on 20th April 1946.

In the assessment year 1947-48, the income tax officer disallowed all the expenses incurred by the company prior to 1st November 1946, the date when it purchased a groundnut oil mill. On appeal the appellate assistant commissioner held that only the expenses incurred after getting the certificate of commencement of the business were deductible expenses incurred for the purpose of carrying on the business in the year of account. On further appeal the appellate tribunal, after taking into consideration the date of first purchase of raw materials and the details of the expenses incurred thereafter by the company, came to the conclusion that all the expenses incurred after 1st September 1946 were deductible expenditures.

CLEAR DISTINCTION

The matter went up to the Bombay high court which held that while the business of the company commenced in November 1946, it could be said to have set up its business from 1st September 1946, when the raw materials were first purchased. Chief Justice Chagla laid down the *ratio decidendi* in the following words: "There is a clear distinction between a person commencing a business and a person setting up a business and for the purposes of the Indian Income Tax Act it is the setting up of the business and not the commencement of the business that is to be considered. It is only after the business is set up that the previous year of that business commences and any expense incurred prior to the setting up of a business would not be a permissible deduction.

"When a business is established and is ready to commence business then it can be said of that business that it is set up; but before it is ready to commence business it is not set up. There may, however, be an interval between the setting up of the business and the commencement of the business and all expenses incurred during that interval would be permissible deductions."

In *C.I.T. v. Saurashtra Cement & Chemical Industries Ltd.* (91 I.T.R. 170), the company was incorporated in 1956 for the manufacture and sale of cement. As part of its business, the assessee obtained a mining lease for quarrying limestone and commenced mining operations in 1958. It claimed the expenditure incurred for the purpose of extracting limestone as also depreciation and development rebate for the machinery installed for that purpose for the assessment years 1960-61 and 1961-62.

The Gujarat high court held that the activities which constituted the business of the assessee were divisible into three categories. The first category consisted of the activity of extracting limestone by quarrying the leased land. This activity was necessary for the purpose of acquiring the raw material to be utilised in the manufacture of cement.

> **'Difficulties arise in determining when a business can be said to have been set up. Is the relevant date the date of installation of the plant and machinery or the date of its commissioning? Or is it the date of purchase of raw materials, or the date of manufacture of finished products? There are several decisions of the courts on this point.'**

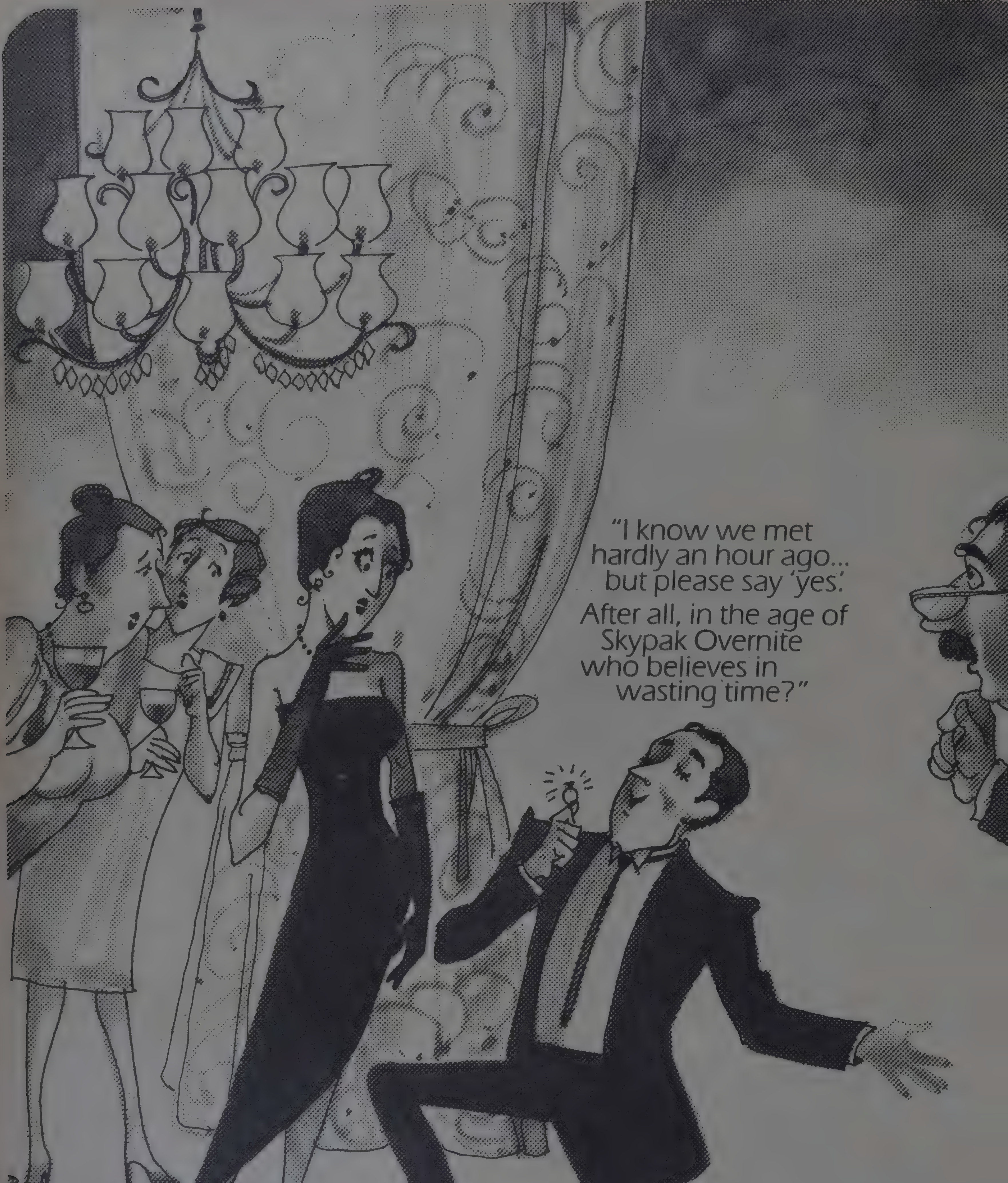
The second activity comprised the manufacture of cement by user of the plant and machinery set up for that purpose; and the third category consisted of selling manufactured cement. These three activities combined together constituted the business of the assessee. The activity of quarrying the leased area of land and extracting limestone from it was as much an activity in the course of carrying on the business as the other two activities of manufacture of cement and the sale of manufactured cement.

The limestone quarrying activity came first in point of time and laid the foundation for the second activity; and the second activity when completed laid the foundation for the third activity. Hence, the assessee commenced its business when it started the activity of extracting limestone from leased land.

MAIN OBJECTIVES

In *C.I.T. v. Ralliwolf Ltd.* (121 I.T.R. 262), the company was incorporated with the objective of manufacturing electric hand tools in India. One of the other main objectives of the company was also to carry on trading activity in spare parts. On these facts, the Bombay high court held that since the assessee was carrying on a trading business in spare parts, which was one of its main objectives, the business could be deemed to have commenced from the date on which it started its trading activity. Hence, the business of the company could be deemed to have commenced when the goods were purchased to enable it to start its trading activity.

These decisions of the courts, though they do not provide a clear-cut formula for deciding the date of setting up a business provide certain rules and guidelines which could be followed in appropriate cases. Perhaps, the only way to resolve this controversy finally is for the Union government to amend the law and state clearly the point of time from which a business could be deemed to be set up.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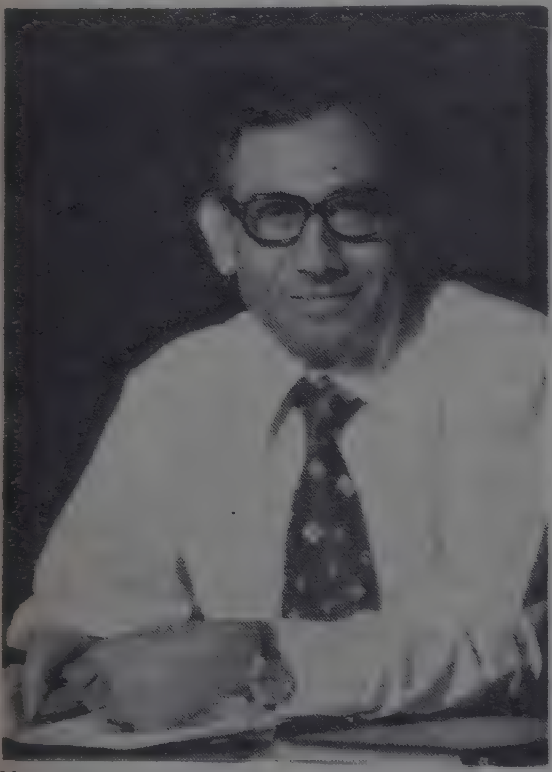
September 1—14, 1986

Hazari's new venture

With the belated revolution in the field of plastics finally gathering momentum in the country, the stage has been set for the quickfire entry of a host of new units into this sunrise industry. Yet, in the absence of any large-scale involvement, it is the small and medium units, armed with contemporary technology, that appear to be setting the pace in the drive to revolutionise India's antediluvian packaging industry by the use of plastics.



Hazari: promise of plastics

Among the recent and more noteworthy efforts in this direction is that of the fledgling New Delhi-based United Containers Ltd. (UCL), which plans to enter the capital market with a public issue of six lakh equity shares of Rs. 10 each at par on 10th September 1986. Indeed, it is a reflection of the interest that plastics are beginning to command that the man behind UCL is none other than C.K. Hazari (63) — one of the most respected corporate figures in this part of the country. A qualified chartered accountant, Hazari rose to prominence during his 32 year stint at Escorts Ltd., where he worked his way up to emerge as joint managing director by 1970 — a position he held until 1983 when he retired from the company.

While this was a rare distinction for a true blue finance man, Hazari in particular was credited with the rapid growth and diversification of Escorts, having been directly involved in the setting up of that company's tractors, automotive two-wheelers, railway components and automotive components manufacturing units.

Tremendous promise. "Although I have been extremely busy in recent times, given the spurt in industrial activity in the country, I had been thinking of setting up a manufacturing operation for some time now. With the tremendous promise that plastics offers, we began setting up United Containers last year as a multiproduct plastics company," says Hazari.

While UCL is currently in the process of installing its blow-moulding and injection moulding equipment for the manufacture of different kinds of poly containers, a breakthrough is imminent on another front. "We are in the process of setting up another plant for the production of stretch blow-moulded poly containers in technical collaboration with Bekum, West Germany. Although this process is used by a couple of other manufacturers, the basic raw material they use is HDPE, but we will for the first time in this country use PVC," explains Hazari, who apart from being an advisor to Escorts is a director of 22 companies.

According to Hazari, the stretch blow-moulding process is a major improvement over conventional blow-moulding technology because the range of containers produced by this technology is up to 15% cheaper. "Not only are these containers up to 25% lighter, signifying less raw material consumption, but their burst resistance or durability is the same as that of conventional blow-moulded bottles. In addition, they are highly transparent and glossy, and are much more attractive for point of purchase display purposes," says Hazari.

These advantages will be compounded, according to UCL managers, by the fact that PVC will be used as the basic raw material instead of HDPE. "Not only is PVC cheaper by Rs. 10-15 per kg, but the amount of PVC required to produce a typical container is far less than the amount of HDPE required for a similar container," explains Hazari. As the Bekum developed technology is based on the extrusion principle, it is also said to be extremely versatile providing for a variety of shapes, and special features such as thick necks or heavy bottoms without much trouble.

Major boost. With production slated to begin in late 1986, UCL has already got a major boost by the recent decision of the Union government banning the use of tin for the packaging of edible oils and vanaspati. "Our first year's production of around 20,000 containers per day ha already been booked by numerous blu chip companies. Our major markets wi be companies in the edible oils, vanas pati, drugs and pharmaceuticals, cosme ics, household cleaners and detergent industries," says Hazari.

In addition, UCL is also working o plans to set up a plant for the man ufacture of poly ethylene tetrapthalat (PET) containers which are fast replacin glass bottles in the soft drinks and frui juices markets overseas. "Plastic con tainers are not only half as expensive a conventional packaging materials, the are also lightweight, shatter proof an reduce transportation costs," say Hazari.

Despite this, UCL is not pitching it targets too high. The company's sale turnover target is Rs. 2 crores in the firs full year of production (1987-88) rising t Rs. 6 crores in the third year (1989-90). "This is only the beginning. We are planning to diversify into the production o moulded plastic luggage, toys and automotive components as well in quick succession," says Hazari.

If all goes according to plan, in the autumn of his life Hazari is likely to discover the pot of gold at the end of the plastic industry's rainbow.

ANAND P. RAMAN IN NEW DELHI

GIIC comes of age

The Gujarat Industrial Investment Corporation (GIIC), perhaps the country's most dynamic and efficient state level industrial development agency, attains its age of maturity, i.e. 18 years, in mid-September this year. Not surprisingly, a subdued air of satisfaction bordering on mild euphoria is noticeable in the corporation's offices in Ahmedabad and Bombay.

Certainly in relative terms the 365 employees of GIIC have some cause for satisfaction. Over the last two decades the corporation has sanctioned cumulative loans aggregating Rs. 307 crores and disbursed Rs. 181.6 crores while financing 2,619 medium and large-scale enterprises within the boundaries of the western Indian state of Gujarat. In the process GIIC has also facilitated the creation of 1.5 lakh jobs within the state. "I think it would be fair to say that GIIC has played a significant role in the industrialisation of Gujarat. In 1960, the state ranked 9th in the country in terms of value of industrial output. Currently, it ranks second. And it is a matter of particular satisfaction to us in GIIC that

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Balakrishnan: even growth

60% of sanctions made by the corporation are to projects sited in the backward areas of Gujarat. This has led to a relatively evenly spread out industrial growth in the state," says R. Balakrishnan (49), an economics and statistics graduate of Madras University and a member of the Indian Administrative Service (Gujarat cadre) who is currently the managing director and chief executive of GIIC. In addition, Balakrishnan is also the secretary in the finance ministry of the government of Gujarat.

Growth base. According to Balakrishnan, GIIC, which has played a major role in the development of the chemicals, plastics, fertiliser and petrochemicals industries in particular in Gujarat, is in the process of creating a base for the growth of the electronics industry in the state in a big way. "Under a new scheme that we have formulated for the electronics industry in Gujarat, the sales tax on electronic goods and components has been reduced from 6% to 1% *ad valorem* and a new subsidy is to be given to firms or entrepreneurs setting up electronics manufacturing units in the state. We are also in the process of designating special industrial estates for electronic units and will set up special industrial training institutes to train personnel in this industry," says Balakrishnan.

Balakrishnan attributes GIIC's commendable industrial development track record — the corporation has also co-promoted 18 large and medium projects (cost: Rs. 5-20 crores) and 18 more are in the advanced stages of implementation— to what he describes as GIIC's "highly professional appraisal team and the efficient procedures devised over the years." "GIIC personnel have developed a perhaps unique expertise in being able to identify potentially successful product lines, selecting high performance entrepreneurs and ensuring speedy implementation of projects by obtaining clearances for them from various Central and state government agencies," says Balakrishnan.

Looking ahead, Balakrishnan forecasts excellent prospects for the growth of industry in Gujarat despite reports of power shortages in this formerly power surplus state. "True, the current installed power generation capacity of 3,600 Mw is barely sufficient to meet current demand. But there have been temporary shortages of power because of lack of rains and because a significant proportion of power generated in the state is hydro-electric power. But the future is certain to be better because of the gas and oil finds in Gujarat and the decision taken to set up thermal and gas-fed power plants in the state. By the end of the current planned period I expect the installed capacity to rise to 5,110 Mw," says Balakrishnan.

Enviable reputation. Certainly the state of Gujarat and GIIC have acquired enviable reputations for the quick promotion of industrial projects. In particular the close coordination between the various industrial development agencies in the state and particularly the effective role played by the state's one window project implementation agency Index B, has given a boost to the industrialisation of Gujarat.

Unfortunately in recent times the major industrial centres in Gujarat have been infected by the communal virus which has created unprecedented law and order problems in the state. In the circumstances, it is a moot point whether GIIC, which sanctioned projects valued at Rs. 55 crores in fiscal 1985-86, will attain its annual sanctions target of Rs. 100 crores by 1990.

DILIP THAKORE IN BOMBAY

Yenkay's new start

The fortunes of the Bangalore-based International Instruments Ltd. (IIL) better known by the brand name of its automotive instruments, Yenkay, are looking up again. In recent times the company — a pioneer in automotive instrumentation in India — had lost considerable ground and market share to its rivals Pricol and Auto Meter, primarily because it suffered a production loss of Rs. 4.5 crores because of a four-and-a-half-month lockout between February and July 1984.

The lockout followed the breakdown of negotiations between the management and unions on the issues of bonus and proposals to slash operational expenditure, including personnel costs, and the employees went on strike. Ultimately a settlement was arrived at in July 1984 under which all categories of employees "agreed to accept a reduction in salary" for two years. The dearness allowance was frozen for two-and-a-half years and a voluntary retirement scheme was put into effect.

Sudhakar: tough competition

"We had to take these steps since we were overstaffed, competition was becoming increasingly tough and growth in our sales turnover was falling short of expectations," says IIL's chairman and managing director N. Sudhakar (50), a mechanical engineering graduate of Guindy Engineering College, Madras. With more than 400 employees opting for voluntary retirement, employee strength was reduced to 1,300. Since then, business has begun to pick up and the streamlined company managed to make a profit — albeit before interest and depreciation — of Rs. 50.22 lakhs on a sales turnover of Rs. 11.12 crores in the year ended 31st March 1986. This modest profit facilitated the appropriation of Rs. 32.50 lakhs towards the massive carried forward loss of Rs. 1.96 crores suffered by IIL in its 18 month financial 'year' ended 31st March 1985.

Prolonged slump. "Our performance in the recently concluded year would have been much better but for the prolonged slump in demand for heavy and light commercial vehicles and tractors. Both the prices and operational costs of these vehicles have risen substantially and this has adversely affected demand. In addition the troubled political situation in Punjab — a prime market — and the fact that the railways are doing a better job in freight transportation are two additional contributory factors for the slump in the production of commercial vehicles. The prospects for the two-wheeler industry are a shade brighter, particularly for Indo-Japanese collaborations. The combined production figure of Ind-Suzuki, Hero Honda, Escorts Yamaha and now Kinetic Honda is expected to increase from 3 lakh units per annum in 1986-87 to 4 lakhs per annum in 1987-88. This in turn would mean more business for IIL which has tied up with reputed Japanese manufacturers to produce automotive instruments and ignition switches," says Sudhakar.

IIL has an ongoing technical collaboration with Nippon Seiki Co. Ltd. for the manufacture of sophisticated automotive vehicle instruments. Supplies to Ind-Suzuki have already commenced and, according to Sudhakar, orders have been received from Hero Honda and Escorts Yamaha. The firm has also recently tied up with KGD Co. Ltd., a subsidiary of Honda Motor Co. for the manufacture of switches specifically for sale to Indian two-wheeler manufacturers with Japanese collaboration. The manufacture of automotive switches is expected to commence in October this year. The company has a licensed capacity of 3.6 million units per annum in instruments and 1.8 million units per annum in switches.

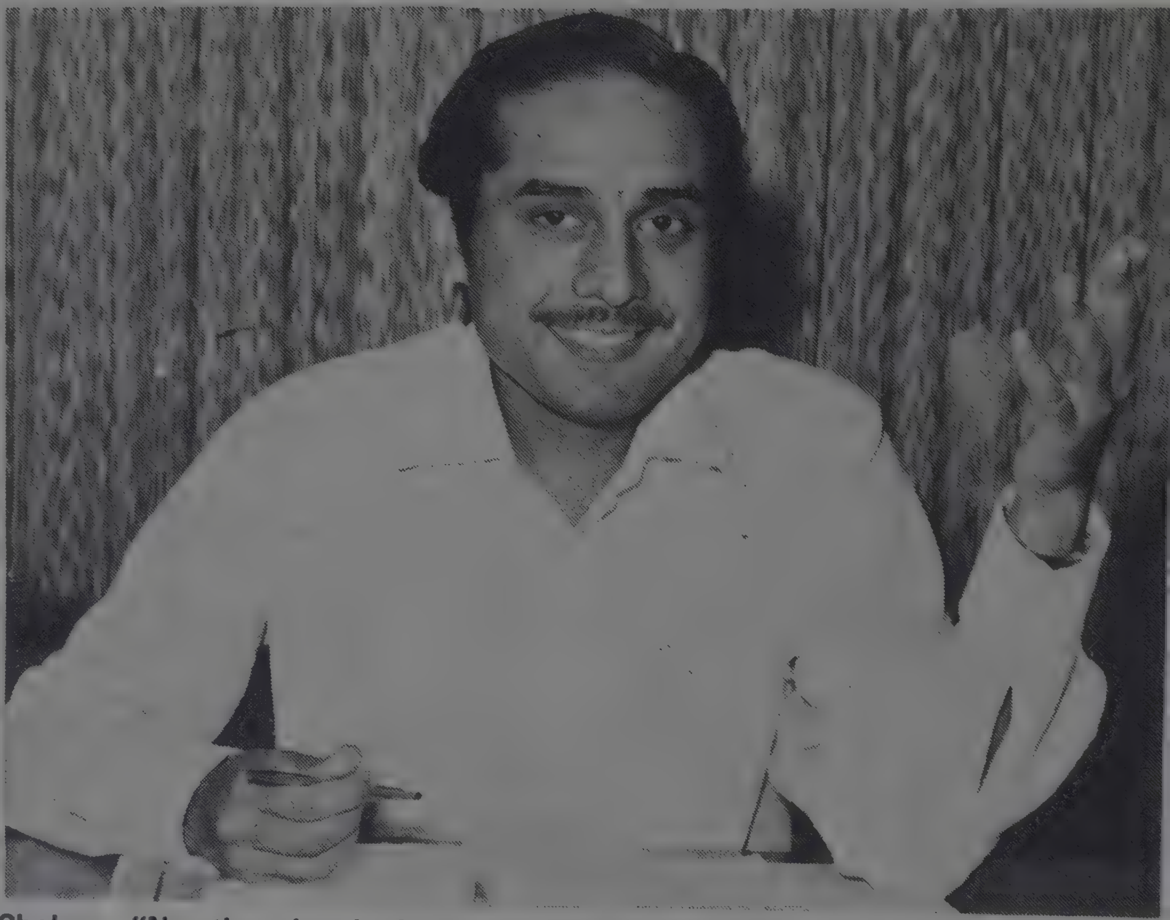
"We have an advantage in that we are the only company in the country to have signed collaboration agreements with leading manufacturers of automotive instruments and switches who are acceptable to the Japanese partners of Indian two-wheeler manufacturers and, in the process, are obviating imports," observes Sudhakar. With the streamlining of operations and entry into the production of more sophisticated and therefore higher value instruments and switches, Sudhakar expects IIL to achieve a turnover of Rs. 18 crores by the end of fiscal 1987-88.

Collaboration agreement. Meanwhile, IIL's first collaborator, VDO Adolf Schidling AG of West Germany, has agreed to provide the technology for manufacturing quartz clocks, electronic speedometers and tachometers — all for the automotive industry. According to Sudhakar, the collaboration agreement has already been approved by the government. The West German company is also seeking to increase its equity stake in IIL from 16% currently to 33% or in monetary terms, by Rs. 50 lakhs. This proposal is awaiting government approval.

In sum, prospects for the company appear fair but much would depend on how deftly the company's management handles its industrial relations portfolio. The current management-labour settlement expires at the end of this year.

N. RAGHAVAN IN BANGALORE

Asian Paints' new picture



Choksey: "No other plant in the country has this flexibility"

Pentasia Chemicals Ltd. (PCL), a company promoted by the private sector hot-shot Asian Paints (India) Ltd. (sales: Rs. 145.18 crores in the year ended 31st December 1985) and the Tamilnadu Industrial Corporation Ltd. (TIDCO), entered the capital market on 25th August with a public issue of 15.40 lakh shares of Rs. 10 each at par. The issue proceeds of Rs. 1.54 crores raised will part finance the cost of the company's pentaerythrito project taking shape at Cuddalore Tamil Nadu.

Pentaerythritol, of which thre grades will be manufactured in the com pany's plant has various applications Technical grade penta is used mainly i the paint industry for the manufacture o alkyd-resins. Monopentaerythritol i used for making PETN which is used in th explosives industry while pentaerythrito is used in the manufacture of syntheti lubricants and plasticisers.

Comments Atul Choksey (34), th youthful managing director of Asia Paints and a director of PCL: "This is unique plant in that it has the flexibility of making three grades of penta. N other plant in the country has this flexibility. In the case of dipenta, the demand in India is insignificant while in the US there is good demand. Therefore Hercules Inc., USA, the process licensor has expressed a willingness to enter int a buy-back arrangement. Dipenta als fetches a good price in the internationa market. We are looking into this and some arrangement may be finalised later."

Largest manufacturer. This does not, however mean that the domestic demand for pentaerythritol is insufficient. Domestic consumption in 1985 is estimated at 5,500 tonnes, of which 1,350 tonnes was consumed by Asian Paints alone. Incidentally, Asian Paints is the argest manufacturer of paints in India and was ranked among the 10 most excellent companies in India in a recent study sponsored by the Industrial Development Bank of India.

This demand is expected to register an annual growth of 10% and could reach 9,000 tonnes by 1990 against which the current installed capacity in operation is 5,700 tonnes. With its installed capacity to manufacture 3,000 tonnes of pentaerythritol, PCL's penta plant will be the largest in the country, says Choksey.

In addition, the plant will also recover sodium formate for which it has an installed capacity to manufacture 1,800 tonnes. Sodium formate is used in making sodium hydrosulphite (used in the textile and paper industries) and also in the tanning industry. PCL hopes to service several local customers who are currently meeting their requirements through imports. This project will be a foreign exchange saver since monopentaerythritol and dipentaerythritol will be made for the first time in the country.

"In the first year of commercial operations we hope to attain a production of 2,200 tonnes and we hope to touch the rated production capacity of 3,000 tonnes valued at around Rs. 15-16 crores in the second," says Choksey. Commercial production is expected to begin in early 1987. According to Choksey, the project has already progressed in substantial measure. Most of the civil work has been completed while most of the machinery has also been received. Nor is PCL taking any chances on the matter of power in this especially power-deficient state. Choksey however preferred to be diplomatic. "Power is a sensitive issue. Anyway to take care of uncertainties, we have already installed captive power generating sets," he says.

The total project cost is estimated at Rs. 19 crores, and will be financed by term loans aggregating Rs. 12.25 crores, a state subsidy of Rs. 15 lakhs and equity of Rs. 6.60 crores of which TIDCO will subscribe to Rs. 1.71 crores (26%) and Asian Paints Rs. 1.64 crores (24.9%). The remaining Rs. 3.25 crores will be raised through public issue and from friends and associates of the promoters and perhaps a rights issue to Asian Paints' shareholders.

Of the future, Choksey comments, "We have definitely one or two projects in mind. However, it is too premature to talk about them. The next logical step would be to expand PCL's capacity to 5,000 tonnes of pentaerythritol." Given Asian Paints' enviable track record, PCL's future looks equally colourful.

CHANDU NAIR IN MADRAS

Indian Rayon's big plans

Despite the stockmarket having turned sluggish in recent times with investor response to new issues being lukewarm, the management of the Indian Rayon Corporation Ltd. (sales: Rs. 181 crores in the year ended 30th June 1986), seems quite unfazed and is confident of an overwhelming response to the company's forthcoming public issue of Rs. 163.75 crores worth of convertible and non-convertible debentures scheduled for October.

Rathi: poised for a rapid expansion of asset base.

Comments Anand Rathi (40), a chartered accountant by qualification who besides holding charge as president of the cement division of the company also handles its projects and finance portfolios: "Our company has an excellent track record and we have been consistent in declaring dividends. Even during the lean periods which the company braved a couple of times in recent times the dividend was maintained. Now we are poised for a rapid expansion of our asset base which is expected to increase to Rs. 500 crores as against its current value of Rs. 176 crores. I am sure that the company's shareholders as well as the general public will welcome this opportunity to participate in our growth plans."

These plans as outlined by Rathi comprise a range of hi-tech ventures such as an 80,000 tonnes per annum (tpa) white cement plant to be set up at a cost of Rs. 27.5 crores; a 20,000 tpa carbon black project (Rs. 32.5 crores); a ceramic unit to manufacture 8,000 tpa of sanitaryware; and 12,000 tpa of tiles at an estimated aggregate cost of Rs. 25 crores. The company also plans to set up a 12.5 Mw captive thermal power plant at an estimated cost of Rs. 15 crores to overcome the constraints of power supply at the company's cement factory in Malkhed (Karnataka). "A massive modernisation effort is on within Indian Rayon to upgrade technology. We also plan to double the capacity of our cement plant from the present level of 5.4 lakh tpa to 1 million tpa. Overall, the company plans to spend Rs. 75 crores on modernising existing plant and equipment during the next couple of years," says Rathi.

Broadbasing operations. A company within the (Aditya) Birla group, Indian Rayon has also finalised plans to purchase an 8.5% stake as co-promoter in the Indo-Gulf Fertilisers & Chemicals Corporation Ltd., one of the five ultra large gas-fed 1,350 tonnes per day (tpd) ammonia and 2,200 tpd urea projects taking shape in Uttar Pradesh. And if all this is not a plateful, the company also holds a letter of intent to set up a 15,000 tpa polyester filament yarn plant to be located in Gujarat at an estimated cost of Rs. 120 crores. "Our aim is to broadbase our operations in hi-tech growth areas

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even while going ahead with a phased plan of modernisation which will not only give us a widely diversified product mix but also a competitive edge in the marketplace," says Rathi.

Despite the massive sums required to be mobilised to give shape to these projects, Rathi is confident of raising a sum of Rs. 163.75 crores from the capital market. This sum will finance all the diversifications envisaged by the company except the polyester filament yarn and cement expansion projects to finance which the company will issue convertible debentures at a later date, says Rathi.

"The real challenge will be to implement these projects on time and I am sure that after the successful and timely implementation of our cement and other projects, we will have the in-house capability to do so. When all these projects are implemented by December 1988, as per our timetable we expect the sales turnover of Indian Rayon to increase to over Rs. 600 crores by 1989-90, which will place the company in the front rank of private sector companies in India. In the meanwhile, we have a lot of work to do — and we intend to do it well," says Rathi

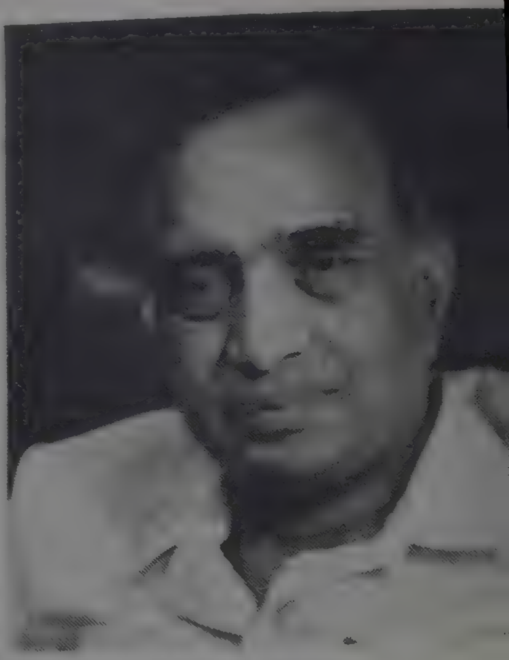
CHANDRA KUMAR IN BOMBAY

Mittal's many projects

The name of M.L. Mittal (59), chairman of the Calcutta-based Ispat group of companies, is scarcely known in corporate circles in eastern India barring perhaps the downstream steel industry. And yet, the low profile Mittal — a matriculate who learned the business of steel manufacture the hard way, i.e. on the shopfloor — heads a group with steel and steel products manufacturing units in India and Indonesia. The group, which chalks up sales of Rs. 155 crores per year, has devised ambitious expansion plans involving a hefty capital expenditure of Rs. 188 crores over the next quinquennium. "By 1988, our group turnover should reach Rs. 400 crores per annum," he predicts.

Somewhat surprisingly, Mittal's career as an independent entrepreneur began as recently as 1975 when he decided to disassociate himself from the family-run steel rolling mill and other businesses till then managed jointly by him and his brothers. "I wanted to do something new, and I went abroad to do so," recalls Mittal.

He moved to distant Surabaya in Indonesia and set up a joint venture —


Mittal: ambitious plans

P.T. Ispat Indo, a 60,000 tonnes p
num (tpa) steel plant. Comments M
who is president director of this
pany, "P.T. Ispat Indo is the
largest Indian joint venture proje
road, its current annual turnover
Rs. 115 crores. With its 300,00
capacity, it is the largest private
steel manufacturer in Indonesia acc
ing for over 20% of that country's
production. It is also one of the most
ern steel mills in the world. Further e
sion is on the anvil and its capacity s
reach 500,000 tpa in a couple of years

Manufacturing base. Encouraged
success of his maiden enterprise,
decided in the early eighties to cre
manufacturing base of import sub
tion products in his own country. Fo
ing up on an introduction to the
(Japan)-based Nippon Denro
ufacturing Co. Ltd., gained via h
donesian connection, Mittal signe
technical collaboration with
Japanese firm for manufacturing 3
tpa of galvanised plain and corru
(GP/GC) sheets at a Rs.15 crore plan
Nagpur (see *BW* August 19-Septe
1, 1985, p.27). Christened Nippo
nro Ispat Ltd., this unit commence
duction in August 1985 — five m
ahead of schedule — and is expec
notch up a sales turnover of about
crores in its financial year due to end s

At this point in time, Mittal has
simultaneous expansion and divers
tion projects worth Rs. 188 crores i
ous stages of implementation. The
ambitious of these is Ispat Profiles
Ltd., a Rs. 103 crore steel mill co
in Pune to manufacture mediu
light structurals including H-beams
produced for the first time in India.
technology is the most sophisti
thanks to the technical collabo

with the world renowned Danieli & Co. pa of Italy," says Mittal.

The second expansion in India is a Rs. 75 crore cold rolling mill complex at Nagpur, conceived to provide backward ntegration to the existing GP/GC sheets unit. The third and last part is a small — but no less ambitious — Rs. 9.6 crore project, Ispat Alloys Ltd., located at Balgopalpur in Orissa to produce 2,500 tpa each of calcium silicide and silicon metal.

"The basic raw material, quartzite, is available locally at low cost," explains Mittal. "Calcium silicide is used as a deoxidiser and desulphuriser in steel manufacture. Silicon on the other hand s a vital ingredient for aluminium alloys, electronics and ceramic applications among others. Both are import substitution products," says Mittal. Ispat Alloys Ltd. proposes to enter the capital market shortly with a Rs. 1.79 crore public issue of equity shares.

Mittal does not agree that he is perhaps overextending himself. "With the backing of our international experience in steel and steel products manufacture and marketing, I am confident that our Indian companies will be amongst the best in their respective sectors in the Indian steel industry," he says without hesitation. And with so much to ose — including his carefully built-up reputation — it is unlikely that he is making tall claims either.

SUJOY GUPTA IN CALCUTTA

Calcutta's new power chief

In power-starved West Bengal power cuts have become a way of life and the promise of unlimited and uninterrupted supply of power seems a distant dream. Yet the new chief of the West Bengal State Electricity Board (WBSEB), the Calcutta-based Dr. Beni Prasad Banerjee (60), who took charge on 1st May promises to convert this distant dream into reality. "In six months' time the board should be in a position to withdraw some of the remaining restrictions on the consumption of power," says Banerjee optimistically.

According to Banerjee, the current shortfall in power has been accentuated by three developments. Firstly, the deliberate attempt to reduce consumption in the peak hours between 6 pm-10 pm. Secondly, a large quantum of suppressed demand that has arisen due to the unavailability of power and lastly the extensive captive generation capacity that has been created. "However, with the synchronisation of the first unit of the National Thermal Power Corporation's Farraka super thermal project, supplemented by power from the Chuka (Bhutan) hydel project and the expected full generation by the second unit of the Kolaghat thermal station which has been facing some coal handling problems, the additional generation of around 300 Mw should substantially meet the suppressed demand of around 330 Mw," says Banerjee,adding: "By 1990 we should be self-sufficient in our power generating capacity and by 1995 we should have surplus power."

Banerjee: "By 1995 we should have surplus power"

Poorly managed. Such optimism is perhaps necessary for an individual who accepts the job of chairman of the country's most poorly managed electricity supply system. The WBSEB currently comprises three thermal and seven hydel power generating stations with an aggregate installed capacity of 1,391 Mw per day. But because of unchecked government interference, poor management and gross labour indiscipline, capacity utilisation has been very poor. In fiscal 1984-85 the average plant load factor in the WBSEB power generating system was a mere 42.5% — way below the already low national average of 50%. At 46% it was scarcely better in 1985-86.

Despite WBSEB's depressing track record, Banerjee remains optimistic — presumably because he has considerable experience in industry. A mechanical engineering graduate of the Bengal Engineering College, Sibpur, Banerjee, who is also a qualified cost accountant, has had a varied career in industry including a stint abroad as research scientist with IBM. In India he has worked with Macneill & Barry and Balmer Lawrie. He left the latter in 1983 ending his tenure as executive director (technical) of the company. Prior to his appointment as chairman of WBSEB, Banerjee was working as a management consultant.

In a power scenario in which there are about half a dozen power generating agencies in the state such as Calcutta Electric Supply (installed capacity: 649 Mw per day), Damodar Valley Corporation (290 Mw), Durgapur Projects Ltd. (400 Mw) and a couple of small power generating units, comprehending the coordinating role of WBSEB supply to ensure an efficient power distribution system is one of Banerjee's first objectives.

Cohesive co-ordination. "As I see it, there is a multiplicity of power generating agencies in West Bengal but WBSEB is responsible for power distribution in the state. Thus besides fulfilling our commitments and responsibilities we in WBSEB must also ensure that co-ordination between the various power generating agencies becomes as cohesive as possible. And given the fact that we have no control over the different sources of power yet have to plan the distribution of power — this to my mind is a big challenge," says Banerjee.

Yet with his hands-on experience of the intricacies of his new job,Banerjee has identified his priorities and defined specific strategies. "So far the strategy of WBSEB has been to concentrate on power generation. But while power generation will continue to get the emphasis that it deserves, we intend paying greater attention to the transmission and distribution functions as well. Another area that in my opinion has been neglected and deserves immediate attention is the transmission and distribution of power to the north-east region so that industry can develop in that area. I view the WBSEB appointment as a managerial challenge and I will certainly do my best to bring about an all round improvement in the operational performance of WBSEB," says Banerjee determinedly.

DEBJANI SINHA IN CALCUTTA

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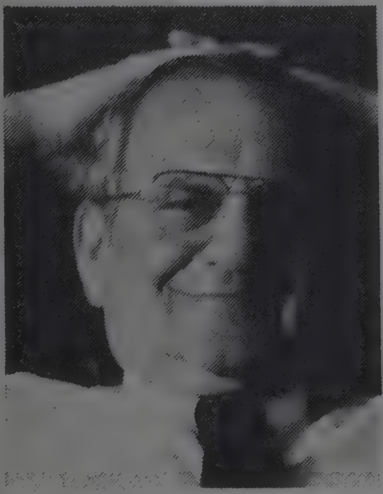
What I tell graduates

LEE A. IACOCCA



Back in the early seventies, at the height of the Vietnam War and all the campus protests, a major university invited a battle-hardened admiral and a buttoned-down business tycoon to speak at its commencement. I was the businessman, and both the admiral and I should have known better because the popularity of businessmen and admirals on campus in those days ranked just a notch above mononucleosis.

I've played some tough audiences in my time, including the US Congress and the Washington press corps, but none tougher than those graduates. They were so rough on me that I stopped accepting commencement invitations for a while. I copped out and said, "Who needs this?"

But the world seems to have come right-side-up in the past 15 years. Businessmen are welcome on campuses again, sometimes even with open arms. These days, all we have to duck is an occasional champagne cork. The graduates don't want to tear the establishment down anymore, they want their piece of it. And they're asking people like me to tell them how to get it. So I'm back on the graduation circuit again. But I give only one commencement address a year now, and I look forward to it for months in advance. I give about 60 speeches a year, inside and outside the company, but the one I work at the hardest is the one to the graduates.

It's a big responsibility, representing one generation to another. You want to tell the graduates about the real world, but you don't want to scare them off. You want to tell them to hang on to their basic values, but you want them to be open-minded, too. You want them to be self-confident, but not cocky. You want them to be willing to take a few sensible risks, but you don't want them to get hurt.

SIMPLE MESSAGE

A few weeks ago I spoke at Duke University in North Carolina. I had a simple message for them; I told them just to think for themselves.

That's harder than it sounds these days because we live in an era of packaged solutions. If you're too fat, there are a thousand books to tell you how to get thin. If you want to get rich, there are a million foolproof schemes. The problem, of course, is that all these store-bought solutions usually only work for the people who devised them.

So I warned the graduates: "Think for yourselves. Don't just pick up the solutions from my generation, because our problems were a lot different."

And they were. At every commencement, I think back to my own graduation at the end of World War II. No generation ever had a brighter looking future. The world had just been through its biggest depression followed by its biggest war, and the only country that came out of all that stronger than it went in, was America. We were king of the hill, and some of us were innocent enough to believe we had a shot at building a perfect world.

A few things got in the way, however, like a couple more wars, eight recessions and nuclear weapons all over the place. We came up a little short on our dreams of a perfect world, but we've made it a little more just, a little more fair, and I think a little more humane.

Still, I can't help feeling a little guilty, because every generation inherits both the successes and the failures of the one that came before it. My generation is passing along a few successes, but we're passing on a couple of big failures, too. And I level with the kids about them.

One is a $2 trillion national debt in the US that is still wildly out of control. "We may be leaving you a great big mansion on a hill," I tell them, "but there's just one problem: We're leaving you the mortgage, too. The mansion isn't paid for. I guess that's your job."

Our other failure may be worse: we aren't showing them how to compete in the world. For a long time after World War II, the US didn't have to compete. (That's because there was hardly anybody left to compete with!) So, I guess we forgot how.

DIFFERENT WORLD

My class wasn't too worried about competing in the world. We had different problems to handle. But the class of 1986 had better learn how to compete, because they're entering a very different world. And they're smart enough to know that without me telling them. It scares them a little, too, realising that we're leaving them a couple of whoppers and they've got to come up with their own solutions.

Whenever I talk to college presidents and professors, I always ask them what the students want most today. And they usually say they're looking for security—a nice safe, secure, prosperous future. And there's nothing wrong with that. It's called the American Dream, and it's the same dream my class had 40 years ago. But then I ask the teachers what the big hangups are with kids today, and they tell me it's the fear of screwing-up—the fear of failure, of not achieving that American Dream. And fear of failure brings fear of taking risks.

I told the Duke graduates: "If that's true, you've got a problem, because you're never going to get what you want out of life without taking some risks. Remember, everything worthwhile carries the risk of failure. I have to take risks every day. I'd rather not, but the world doesn't give you or me that option.

"So don't be afraid of a few risks. Other people, like Columbus, have already taken most of the really big ones for you. My generation walked on the moon...and came back. So at least you have a pretty good idea what's out there."

I'm sure some of the kids are a little scared, but I'm not. They'll pick up the torch, and they'll pass it on burning brighter than ever before. Every generation somehow manages to do that.

One reason I look forward to that single commencement each year is because it renews my spirit. The kids are serious, determined, and they're smart. And one more thing that the rest of us should be awfully grateful for—they're pretty forgiving.

I usually feel guilty about the problems we're leaving them, but there's no booing from the students. They just want to get the show on the road and grab a piece of the action. They're excited and motivated.

So I always leave feeling that maybe we really haven't screwed things up so badly. After all, the most important thing my generation has to leave to the world is the next generation. I think we've done a pretty good job on that.

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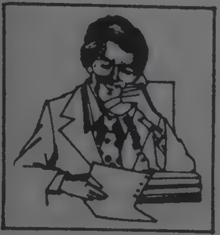
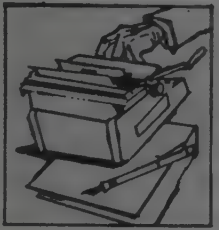


"The traditional image of the banker as a conservative non-risk-taking individual who lies in wait for business to come his way is rapidly giving way to that of an aggressive go-getter with ambitious targets to achieve in all facets of the banking business. The sharpening edges of competition especially among foreign banks is now manifesting itself in a growing demand for aggressive marketing personnel," observes Clarence Lobo, director of Personnel Search Services, a well established Bombay-based personnel recruitment company.

In Lobo's opinion, while the search for banking personnel with a flair for marketing will intensify, marketing professionals outside the banking industry who can adapt themselves to the banking environment will also increasingly be in demand.

CORPORATE BANKING EXECUTIVES



A major multinational bank with offices all over India which is developing a corporate banking network has retained Personnel Search Services to recruit corporate banking executives to develop its corporate and institutional business. For this network, the bank requires corporate banking executives to man its offices in the four major metropolitan cities, where they will be primarily responsible for developing major corporate accounts, credit appraisal and servicing of clients. They will play a pivotal role in the bank's marketing thrust to build up its corporate business and will liaise between the clients and the bank.

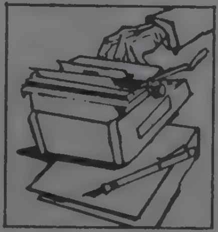
Candidates for this middle management cadre position should be business management graduates or chartered accountants between 30-35 years of age with around eight years of banking experience. They should possess good communication skills, a strong marketing orientation and an ability to relate easily with senior executives in the corporate sector.

The remuneration package contemplated is generous and in any event high salary expectations will not be a limiting factor for outstanding candidates. Residential housing is not offered but subsidised house loans will be considered.

"The selected candidates can look forward to a professionally rewarding work environment and opportunities for personal and career growth," says Lobo.

Enquiries may be addressed to Personnel Search Services, 45, Bajaj Bhavan, Nariman Point, Bombay-400021. Tel: 2022885, 2027207.

VICE PRESIDENT—MARKETING



Personnel Search Services has also launched a search for a high-flying vice president (marketing) for a leading Bombay-based pharmaceutical company with an excellent track record and corporate reputation.

To qualify for consideration, aspirants should preferably be postgraduates in business management from reputed management institutes and have 15-20 years' experience in pharmaceutical marketing. They should have good track records to their credit and should currently be occupying senior positions. They should be between 40 and 45 years of age.

The appointee will spearhead the company's marketing activities and help maintain and enhance its strong market presence through aggressive marketing inputs. He will guide and supervise a team of professional marketing and sales personnel.

High salary expectations will not be a constraint for the right candidate and the remuneration package contemplated includes residential accommodation and a motorcar.

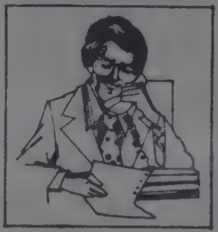
GENERAL MANAGER—MARKETING

For the same company, Personnel Search Services is on the lookout for a Bombay-based general manager (marketing) who will be responsible for the entire marketing operations of the company. He will be required to formulate and implement marketing strategies to achieve the company's sales and profit objectives.

For this top level position, aspirants should be graduates in plastic/polymer technology preferably with postgraduate qualifications in management. They should have had 15 years' experience in the marketing of plastic or allied products through an all-India dealership network in a competitive environment. They should be in the age group of 42-45 years.

For the selected candidate, the salary will be his for the asking.

EXPORT MANAGER

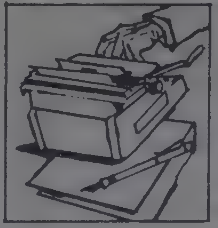


A well-known business group, manufacturing pharmaceuticals in Bombay, is looking for an export manager for one of their constituent companies. The company has a 30% growth rate and a current annual sales turnover of Rs. 10 crores.

On the group's behalf, Personnel Search Services is in the market for a postgraduate in export management, who has five to 10 years' experience in marketing in competitive markets abroad. Previous experience in the export of pharmaceutical formulations and bulk drugs would be a distinct advantage. Aspirants should be in the age group of 30-35 years.

The appointee will report to the managing director and the salary and perquisites contemplated are attractive.

VICE PRESIDENT—R&D AND DIVERSIFICATION



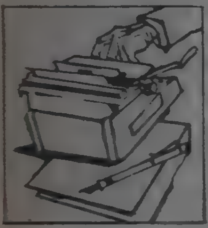
One of the largest multi-product, multi-unit companies in the field of plastics based in Bombay has also retained Personnel Search Services to recruit a vice president—R&D and diversification. The company's diverse product range includes writing papers, industrial and decorative laminates, PVC sheeting, packaging material, artificial leather cloth and extruded sheets of HIP, HDPE polycarbonate and other polymers and co-polymers. The company's annual sales turnover of Rs. 30 crores is expected to increase at the rate of 30% per annum.

To qualify for consideration, candidates should have earned doctorates in polymer/plastics technology and have 15-20 years' experience in the relevant field, of which five years should have been as head of an R&D unit. Exposure to value engineering and costing will be an added qualification. Ideally, they should have outstanding knowledge of, and experience and ability in, the plastic and polymer industry. They should be around 45 years of age.

The appointee will be required to expand the product range of the company and explore horizons for new products and projects for diversification purposes. He will also supervise the R&D activities of the company. He will play a key role in ensuring profitable operations by the maintenance of high standards of quality, the introduction of improved technology and proper selection of machinery and equipment.

The compensation package will be such as to attract the best talent in the country.

SENIOR OFFICER FOR A WEST ASIAN BANK



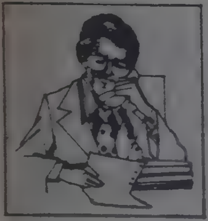
A top-notch development bank in West Asia has enlisted the services of Anand Consultants, Bombay to zero in on a senior officer to look after the appraisal and follow-up of industrial loans.

To qualify for this well-paid job, aspirants should have a basic degree in engineering from a reputed institution preferably with a postgraduate degree in business management and a sound track record of 10 years in a bank in project evaluation. They should be between 40 and 45 years of age.

The salary offered is Rs. 25,000 per month plus lavish perquisites.

Enquiries to Anand Consultants, 109, Bajaj Bhavan, Nariman Point, Bombay-400021. Tel: 2024955, 2028014.

PRESIDENT

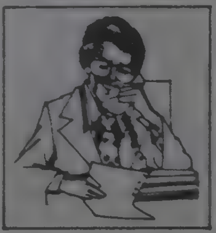


Anand Consultants is also combing the market for a high calibre technocrat to take over as president of a Rs. 5 crore medium-sized company engaged in the manufacture of cutting tools, with its works on the outskirts of Bombay.

For this top job, aspirants should preferably be engineers in the 40-45 year age group with long years of senior management experience in any of the disciplines such as finance, operations or marketing. They should also have headed a production unit.

Salary expectations need not be a constraint for the right candidate and is negotiable.

VICE PRESIDENTS—R&D

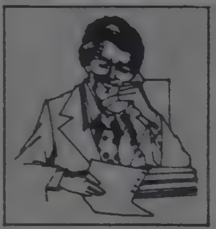


A multi-technology, multi-product company based in Bombay with an annual sales turnover of Rs. 200 crores needs three vice presidents (R&D), one each for its pharmaceuticals, fine chemicals and electronics divisions.

On the company's behalf, Anand Consultants has launched an extensive search for appropriate personnel who should preferably have doctorates in the specified disciplines.

All salaries are negotiable and will be accompanied by an array of perquisites.

WORKS MANAGER—GOA & SURAT

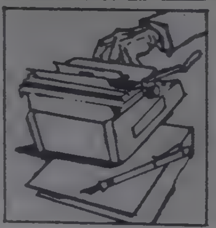


A large industrial group based in Goa, now diversifying its basic formulations and chemicals business by establishing a chemical engineering company in Surat, has retained Anand Consultants to recruit two works managers. Both of them will assume overall responsibility and authority for the planning and production of the new units which have been set up in Goa and Surat respectively.

For these two positions, aspirants should be chemical engineers, between 35 and 40 years of age with impeccable academic credentials and relevant shopfloor experience in a chemical engineering company.

The pay packets will be around Rs. 4,000 per month with generous perquisites including residential accommodation.

EXPORT MANAGER



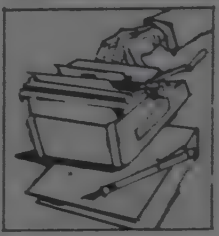
A Bombay-based multinational pharmaceutical and consumer products company has retained Career Placement & Marketing Services, Bombay to scout around for an export manager.

To be eligible for consideration, candidates should be graduates, below 40 years of age, with a postgraduate qualification in business administration from a reputed institution. They should have at least 10 years' experience in exporting chemicals, pharmaceuticals and allied products, out of which five years should have been in a senior capacity.

The salary will be his for the askir
for the right candidate and will l
accompanied by liberal perquisites.

**Enquiries may be addressed to Care
Placement and Marketing Services, P.
No. 8105, Bombay-400051.**

GENERAL MANAGER—ELEC TRONICS

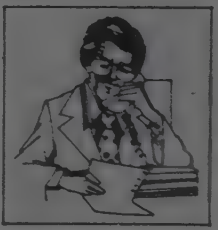


An electronics compar
in Bombay with a
annual sales turnover
Rs. 3 crores needs
general manager (ele
tronics).

On its behalf, Care
Placement & Marketing Services h
launched a search for an electroni
engineer in his forties who has a pos
graduate degree in management from
reputed institute, 15 years' experienc
in the electronics industry in produ
tion/quality control or marketing, out
which seven to 10 years' experienc
should have been in general manage
ment in a senior capacity.

The compensation package offered
very attractive and includes a car an
residential accommodation.

ALL INDIA SALES MANAGER



Marketing Advisor
Services, Bombay
shopping around for
high-flying all Indi
sales manager for a com
pany based in Bomba
which mass distribute
consumer products and has an annua
sales turnover of Rs. 50 crores.

For this responsible position, candi
dates should be around 35 years of age
preferably with postgraduate qualifica
tions in business administration and 1
years' experience in sales and distribu
tion management in reputed companie
dealing in fast-moving consumer pro
ducts. They should have independentl
handled two major geographical region
and should have been holding a simila
position for the last two to three years i
a well-known company. Those currentl
earning less than Rs. 75,000 per annum
need not apply.

For the appointee, the gross com
pensation package contemplated is Rs
85,000 per annum.

**Enquiries to Marketing Advisory Ser
vices, 541, Eleventh Road, Bombay
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Indra Gidwani

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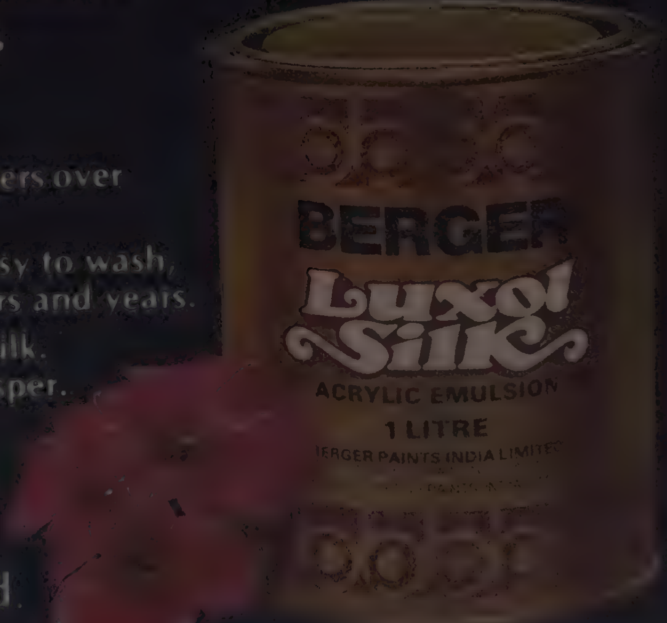

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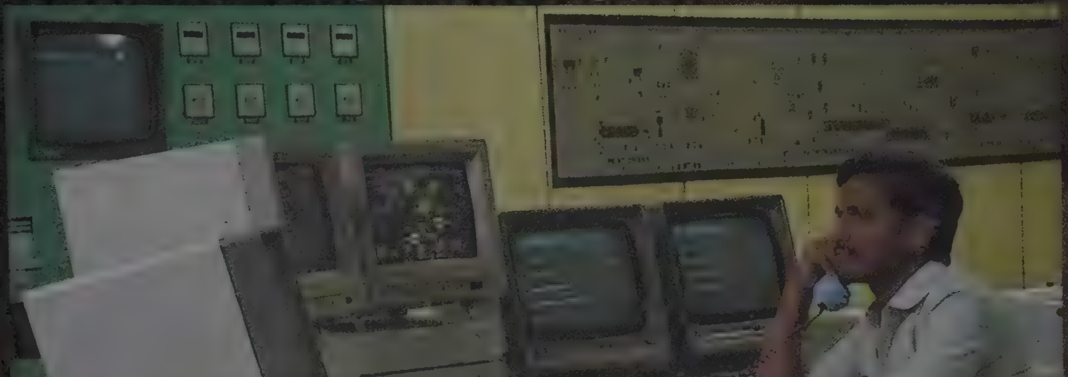
Central Control Room showing VDUs with colour graphics



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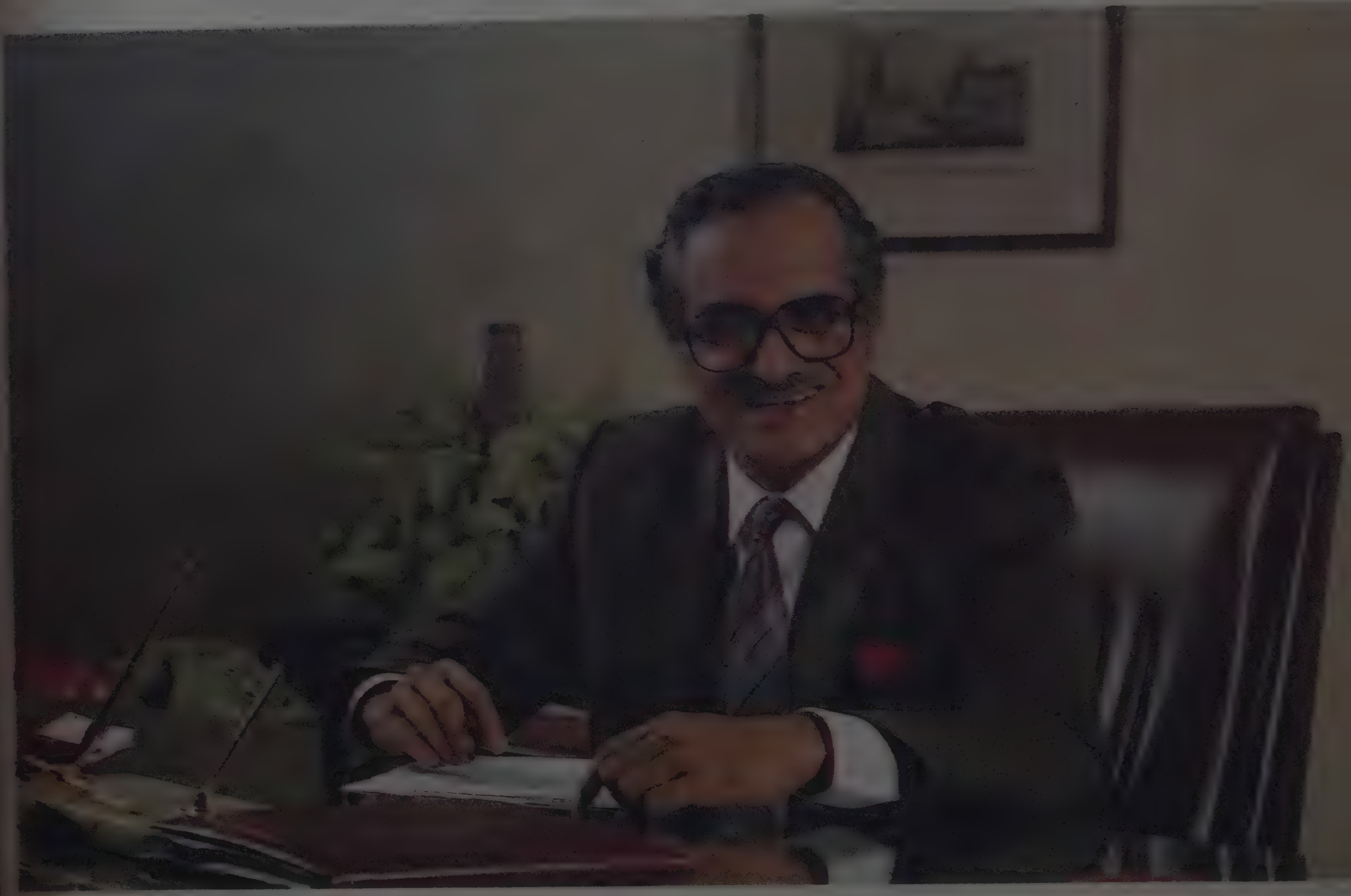


Brooke Bond India's president and chief executive C.S. Samuel

Winds of change over Brooke Bond India

By DILIP THAKORE

With the takeover in London of Brooke Bond Group plc by Unilever plc which is the major shareholder in Hindustan Lever and Lipton India, the future outlook for Brooke Bond India Ltd. has changed dramatically. And even as most of its diversifications undertaken in recent times have run awry, Brooke Bond India recently inaugurated the country's first — and easily the most imposing — corporate campus near Bangalore.

Of late, there have been a number of significant developments within Brooke Bond India Ltd. (BBI — gross income: Rs.363.24 crores in the year ended 28th June 1986) — India's largest branded non-alcoholic beverages (tea and coffee) marketing company — which have kept the adrenalin levels of the Bangalore-based company's managers high.

On 19th August E.J. Verloop, a director of the well-known Anglo-Dutch multinational Unilever plc (sales: $21.62 billion or Rs. 25,953 crores in 1985) inaugurated Brookefields, Brooke Bond's magnificent new Rs. 3.58 crore corporate campus at Kundalahalli village, 13 km from Bangalore. Spread over a green field site of 20 acres, the sylvan campus consists of 99,000 sq ft of built-up office accommodation, a 12,000 sq ft auditorium-cum-training centre, a recreational club house, six acres reserved for trees and gardens and an initial five residential villas for the company's senior managers.

The shifting of the company's head office to an American style corporate campus will undoubtedly provide BBI's top level management and 200 employees who work in the company's head office — currently housed in rented premises on Bangalore's arterial Mahatma Gandhi Road — with a more salubrious working environment on the periphery of the garden city. But this is only one of the several changes in the status quo which is likely to impart a new thrust and momentum to organisational productivity in one of the country's most proficient consumer goods marketing companies.

Brooke Bond India's magnificent new head office near Bangalore

Another recent development is that C.S. Samuel (57), president and chief executive of the company who was due to retire on 2nd April next year, has been given an extension of his tenure as chief executive of BBI for another two years. This event assumes considerable significance against the backdrop of yet another development which ante-dates the ones cited above.

In October 1984, in a dramatic takeover move in London — the likes of which are conspicuously rare in this country — Unilever acquired a controlling interest in Brooke Bond Group plc (sales: £1,078.06 million or Rs. 1,995.00 crores in 1984) which owns 40% of the equity in Brooke Bond India. This drama, enacted on distant shores and in different climes could have proved to be of vital significance to the Bangalore-based company — and particularly its top brass — had not Brooke Bond India been led by a strong chief executive such as Samuel who commands widespread respect in corporate and managerial circles in this country, and perhaps abroad as well.

As is well known, Hindustan Lever Ltd. (HLL — net sales: Rs. 617.95 crores in the year ended 31st December 1985) India's third largest private sector company in terms of sales turnover, is a subsidiary of Unilever which owns 51% of the equity in the Bombay-based consumer products colossus. In addition Unilever is also the largest shareholder (40%) of Lipton India Ltd. (net sales: Rs. 292.09 crores in the year ended 30th June 1985) India's second largest (next to BBI) packaged or branded tea blending and marketing company. Consequently, given HLL's sheer size and the fact that it is already *in loco parentis* to Lipton India, it was quite on the cards that BBI too would fall within the sphere of influence — if not overt control — of the Bombay-based company.

Indeed, as reported earlier (*BW* May 12-25, p. 104) in the light of Samuel's scheduled retirement on 2nd April next year, HLL's media-shy and ambitious chief executive A.S. Ganguly had already drawn up a plan under which P.J.M. Panniker, director (commercial) in HLL, would succeed Samuel as president of BBI on his retirement. According to the latest available information, in keeping with Unilever's practice in other foreign countries, a plan under which the HLL chairman would be the national chairman of the Unilever companies in India with the chief executives of HLL, Lipton and BBI reporting to him, has already been forwarded to Unilever, London.

But the BBI top brass is believed to be vehemently opposed to it. In particular, for Samuel — who quit HLL in a huff in the mid seventies because of the company's reluctance to promote him to the position of finance director despite his having served as chief accountant for four years — the merger in London between Unilever and Brooke Bond Group makes him an especially uncomfortable bedfellow of HLL.

ISSUE SKIRTED

Though throughout a cautious interview (see p. 44) — during which he preferred to answer questions in writing — Samuel firmly skirted the issue of his relationship with HLL, it is well known in corporate circles that he would prefer to distance the relationship at more than an arm's length. Fortunately for him, just prior to the Unilever takeover of Brooke Bond Group, Samuel had arrived at an agreement with the then independent London-based company that his tenure as chief executive would be extended by another two years after the expiry of the original term on 2nd April 1987, despite his attaining the official retirement age of 58.

The rationale for the extension of Samuel's term as chief executive was that there was no clearly identified successor to him. After the takeover of Brooke Bond Group by Unilever in late 1984, the management of the latter company saw no cause — given BBI's excellent operational results in the Samuel era which began way back in 1978 — to disturb the arrangement. And having secured a two year extension of his term as chief executive, Samuel makes no secret of his intention to do his damndest over these next two years to ensure that he is succeeded by one of the three senior vice presidents of BBI.

Yet to secure the succession for one of his own in-house nominees, Samuel will have to better his already good track record because despite satisfactory overall operational results during the past two years, almost all of BBI's diversification projects of recent years have come unstuck. Of these the most ambitious was the company's diversification into the corned (buffalo) meat, meat extracts, bone meal and leather export business.

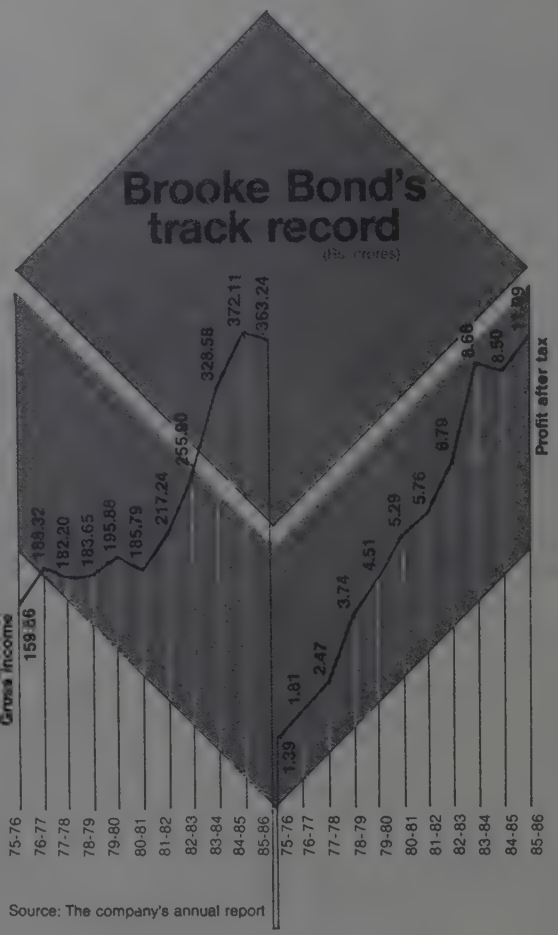
In 1976, BBI constructed India's "first scientific meat processing plant" in Aurangabad, Maharashtra at a project cost of Rs. 7.5 crores. After struggling manfully for over a decade to get the business going, for various reasons — including the gradual withdrawal of the parent company Brooke Bond Group from the corned beef marketing business and the belated discovery in London that buffalo meat sold under the Brooke Bond brand name abroad might hurt the parent company's brand image — BBI managers have thrown in the towel. The company's plant has been sold to the Bombay-based Allana group — the country's largest agricultural produce and meat exporters (see *BW* Cover Feature November 7-20, 1983) for Rs. 5 crores, well above its depreciated value.

GOOD DEAL

"For us, entering the corned meat and leather export business is a natural diversification. I think we got a good deal for which we have paid a fair price," says Razak Allana (49), the Bombay-based chief executive of the Allana group of 19 companies (estimated aggregate sales: Rs. 150 crores per annum).

Brooke Bond's other diversification attempts have not fared much better either. The company's "minor diversification" into the export of oleoresins (i.e. oil of resins) proved a non-starter as production costs proved uncompetitive. A proposed entry into the high potential safety razor blades manufacturing business also came to grief in 1983 when BBI's merger with the Aurangabad-based Centron Industrial Alliance Ltd., was sabotaged at the eleventh hour by those master manipulators — the Malhotra family whose numerous brands of blades have carved out an estimated 80% share of the national razor blades market.

Almost on the rebound and somewhat hastily, the company finalised a merger proposal with the very sick state government-owned Karnataka Scooters Ltd., which has an installed capacity to manufacture 20,000 automotive two-wheelers in the company's factory at Maddur, Karnataka. Unfortunately, not only was the company in a deeper mess than had seemed apparent earlier, the timing of the merger (May 1985) coincided with a massive spurt in capacity creation in the automotive two-wheeler industry. As a consequence much of the euphoria generated within BBI prior to the merger has evaporated though its tax advantages are still valid.



Source: The company's annual report

Likewise, the company's diversification into the industrial writing and printing paper manufacturing industry has been adversely affected by external market conditions. In 1984-85 BBI produced only 6,271 tonnes of paper (installed capacity: 15,500 tonnes per annum) of which the 3,904 tonnes sold in the marketplace generated a modest revenue of Rs. 3.70 crores.

Nor are the failures and/or indifferent performance of its new businesses the sum total of the problems that BBI has experienced in the recent past. In February this year, the company's offices in Calcutta and Bangalore as also the residences of some of its top brass were raided by officers of the Enforcement Directorate, investigating what was reported in the press as a large-scale violation by the company of the country's foreign exchange control laws. In the event, it transpired that BBI and some of its senior executives were guilty of what Samuel describes as "a minor technical violation of FERA" for which the company sought — and was granted — pardon upon paying "a nominal fine." But the attendant publicity didn't exactly burnish BBI's image in the marketplace.

CALCULATED RISK

Despite these setbacks which have undoubtedly sent several of his corporate hopes crashing, Samuel is unfazed. "For a traditional tea and coffee blending and packeting company, entering totally new areas of business necessitated bold a challenging decisions. Obviously the was a calculated risk behind our de sions to diversify into these new projec For this reason we made sure that no of these projects was too big to make significant dent in our overall oper tional performance in the event of th running into problems," says Samuel.

BBI's operational performance bac up Samuel's statement. With its core t and coffee processing, blending a packeting businesses carefully nurs and nurtured by BBI's top managemen the company has continued to regist handsome gains in sales turnover a profits. The company's gross income i creased by 71% from Rs. 217.24 crores 1980-81 to Rs. 372.11 crores in the co pany's 52 week year ended 29th Ju 1985. Pre-tax profit over the same peri rose by 26% from Rs. 15.19 crores to R 19.10 crores.

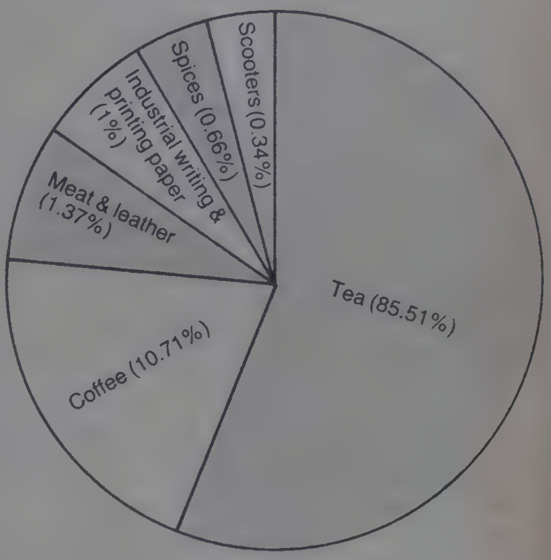
According to the latest figures ava able as we go to press, in the compan year ended 28th June 1986, BBI's gro income declined marginally to R 363.24 crores. However the pre-ta profit increased to Rs. 23.60 cror prompting the company's manageme to declare a 25% dividend on a 60 larger capital base widened by a 3 bonus issue made last month. On a p rata basis the dividend declared for t recently concluded year is 60% high than in 1984-85.

IMPORTANT YARDSTICK

"The financial health of the compa is extremely sound and much better th in 1982 when *BusinessWorld* featured cover story on Brooke Bond," says N. Roy (48), senior vice president of t company who supervises the financ management services and corporate d velopment portfolios as well as t paper and automotive businesses of t company. "Since then, BBI's return net worth i.e. profit after tax on shar holders' funds — in my opinion the mo important yardstick of corpora performance — has risen from 19.1% 1981-82 to 21% in 1984-85 and further 23.8% in the recently concluded year, he adds.

According to Roy, a UK traine chartered accountant who has served the ICI group (1962-79), Indian Oxyge (1979-84) in which he rose to the positi of finance director before he signed u with Brooke Bond in 1984, the 2.8% i crease in the return on shareholder funds acquires particular significance the fact that the company's net wort increased from Rs. 30.02 crores in 198 82 to Rs. 46.60 crores in 1985-86 is take into consideration. "Another indicat of the company's state of financial healt

BBI's product profile



Sales turnover · Rs. 364.28 crores in 1984-85

is that it has virtually no debt. Because of previous years' surpluses, we are fast approaching a situation when borrowals even for working capital purposes will become negligible. For a company of BBI's size, diversity and extensive distribution network, this is very unusual," says Roy.

But if currently BBI is flush with funds and is in a position to dismiss its failed diversification forays as small potatoes, a major share of the credit for this happy state of affairs has to be given to the men (women managers are a rare species in BBI) who manage its traditional and core business of purchasing, processing, blending, packaging and marketing its various brands of tea and coffee. In the year ended 29th June 1985, the company's 1,836 strong sales personnel — possibly the largest corporate sales force in the world — sold an astonishing 76.58 million kg of packaged and branded tea and 10.16 million kg of coffee valued at Rs. 311.49 crores and Rs. 39.02 crores respectively in India and abroad. These two commodities sold under BBI's numerous brand names contributed 96% of the company's sales turnover in 1984-85. Preliminary estimates for the recently concluded year indicate that the contribution of these two businesses to the company's sales and profitability has been showing the same trend.

"For our tea business, the recently concluded year has been a very good one. For the first time since 1981-82, sales of our packeted teas in volume terms have kept pace with the overall rate of increase in domestic tea consumption. As you are no doubt aware, the main competition to packet tea companies comes from the vendors of loose unbranded tea. Since 1971 -72, the market share of packet or branded teas as a whole of the entire national market for tea has shrunk from 45% to 30% in 1986. But our performances last year indicates that we are holding our 16%-17% share of the expanded national market for tea and our 59% market share of the packet tea market as well," says J.S. Sabharwal (40), a physics, chemistry and mathematics graduate of Delhi University who joined BBI in 1967 as a management trainee and who is currently the senior vice president (domestic operations) of the company.

DETERMINED EFFORTS

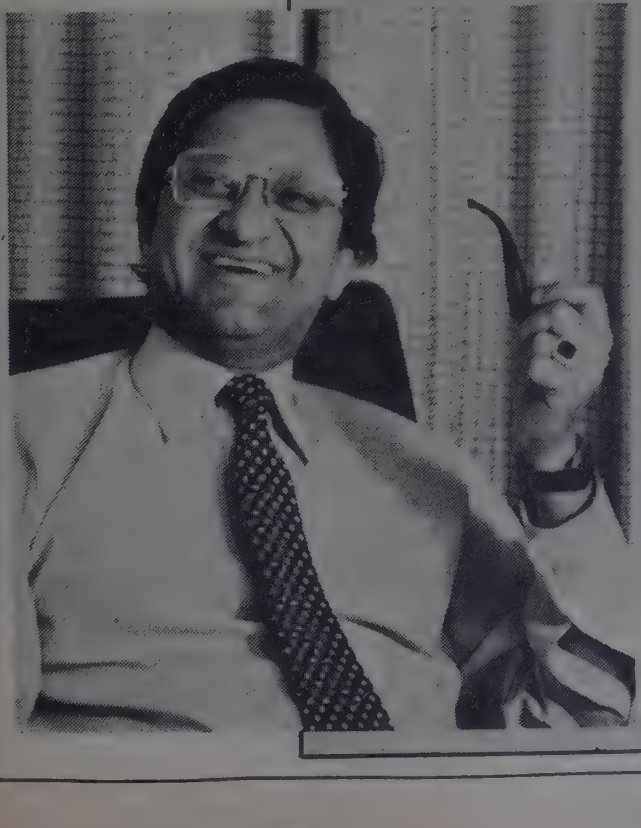
According to Sabharwal, the company's ability to retain the market shares of its 12 brands within the constantly expanding domestic market as a whole as well as the packet tea market, is less a lucky happenstance than the consequence of determined marketing efforts involving changes in packaging, design and brand advertising strategies. In addition in the recently concluded year, BBI introduced Gulnar, its first CTC (cut, tear and curl) fannings (i.e. small leaf) brand in the medium (Rs. 35-45 per kg) price segment with considerable success. In December last, the company also relaunched its up-market tea bags in packs with a design similar to packs of leaf tea brands. Though perceived in the market as an upper class product currently, Sabharwal envisages good long term growth prospects for branded tea bags in the domestic market.

BBI is also a big name in the branded coffee business having purchased, processed, blended and marketed 10.16 million kg of coffee in 1984-85 which it marketed as conventional and instant coffee. But though the company is the largest vendor of branded conventional (*cf.* instant) coffee in the country with seven brands in the market, Sabharwal admits sales indicate a declining trend mainly because of the rising popularity of instant coffee.

Recently the company revamped the packaging of its conventional coffee brands, switching to stylish aluminium foil packets which are designed to preserve freshness and enhance shelf appeal. BBI's Green Label, the country's largest selling branded conventional coffee (estimated share of the branded and packaged conventional coffee market: 25%) is faring well and the company is planning to introduce regionally oriented packs in a big way. "Marketing branded conventional coffee is not a big business for the company. But it is modestly profitable and we intend to stay with it," says Sabharwal.

In the instant coffee manufacturing and marketing business, BBI is faring much better. Sabharwal claims that the company's premier brand Bru is the largest selling instant coffee in India with a market share of 42.8% (*cf.* Nescafe's 37.8%). The company's sophisticated new instant coffee factory at Hosur went on stream in 1983 and augmented the company's instant coffee production by 1,000 tonnes to 2,500 tonnes last year, permitting it to introduce its new 'pure' instant coffee (Bru is a coffee-chicory blend) marketed under the name of Rich. "The national market for instant coffee is expanding by 8%-10% per year but we are expanding our sales volume faster than the market rate of growth," comments Sabharwal.

Though the company's traditional



"Because of previous years' surpluses we are fast approaching a situation when borrowals even for working capital purposes will become negligible. For a company of BBI's size, diversity and extensive distribution network, this is very unusual"
N.C. ROY

Today, instead of passing the buck, let's try earning one instead.

"Come back after a week."

"It's not my Department."

"But we've been doing it like this for years."

"It can't be done."

Tragically, it's almost become an accepted part of our business ethic.

But wait, there is someone who can put a stop to all this.

You.

When you, in your own sphere don't start saying the same things.

When you break the vicious circle.

Sure, there is always reason enough to put someone off, but remember what it felt like when it happened to you.

How the job got delayed.

Quality suffered.

Costs went up.

The new social and commercial climate in our country needs a new and dynamic attitude from us.

At least that's the way we at Buckau Wolf see it.

We could have utilised all this space and money to emphasize the sophisticated machines we make.

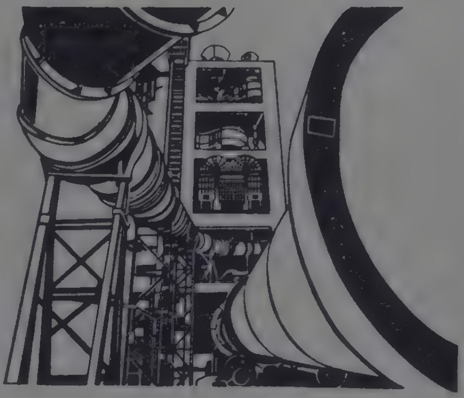
All those difficult projects we handled with ease.

How profitable we are.

Our access to the technology of our West German principals, Krupp.

But that's not as important as reminding ourselves that we can't take India into the 21st century if our attitudes remain in the 13th.

That today, instead of passing the buck, we should try and earn one instead.



A large cement plant - a symbol of the qualitative changes in Buckau Wolf. From a company largely known over the years for its superior sugar machines to a company respected today for its diverse engineering skills. The result of a collective effort to respond positively to the dramatic industrial change in India.

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Nexus/BW/5a

> **"Our commodity buying, blending and packaging experience offers us a good chance to make Brooke Bond's Sona packaged spices a profitable national brand"**
>
> J.S. SABHARWAL

branded tea and coffee marketing businesses are likely to be its mainstays for the foreseeable future as the country's brand and quality conscious middle class continues to expand, there's also a bright future for the company in the packaged spices marketing business, says Sabharwal. Brooke Bond entered this line of business in 1982 and sold 1.18 million kg of spices valued at Rs. 2.39 crores in 1984-85. "Though there are several strong regional brands, there is no single national brand in the huge Rs. 2,000 crores per annum national market for spices. Our commodity buying, blending and packaging experience offers us a good chance to make Brooke Bond's Sona packaged spices a national brand," says Sabharwal, adding: "By 1990 I expect this to be a Rs. 25 crores per annum domestic business for us."

FORMIDABLE SKILLS

But though BBI's traditional and core business of marketing branded tea and coffee in the domestic market is going great guns, this is commendable rather than surprising. Over the past 75 years since the company commenced doing business in this country under the name and style of Brooke Bond India Ltd. on 9th September 1922, it has developed formidable distribution and marketing skills in this line of business.

In particular its outstanding characteristic (as mentioned earlier) is that it is served by perhaps the world's largest corporate sales force comprising 1,836 supervisors, salesmen and vanmen. Operating out of 1,275 depots spread all over the country, this formidably large field force is part of a unique cash-based direct selling system developed by the company. The system completely eliminates middlemen and stockists and links BBI's sales personnel directly with 5.05 lakh retail outlets including 1.65 'hot tea shops' which are serviced on a weekly or fortnightly cycle. Another outstanding feature of the company's direct selling system is that it is cash - based.

"Each depot which is serviced by a motorised transport vehicle — either a four or three-wheeler — is like a mobile marketing unit which delivers the company's products on a cash basis. No other company in India has a similar system which is working very well except that with the growth of the company's business, the volume of cash to be remitted to headquarters on a daily basis has risen considerably," says K.S. Hanumant Rao (51), an English literature graduate of Madras University and a former lecturer in the subject who joined BBI in 1961 and is currently vice president (domestic sales and marketing) of the company.

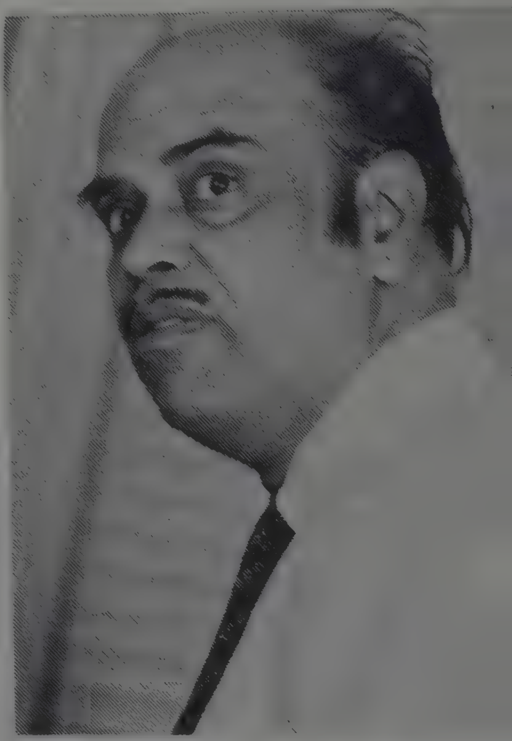
But though the company's cash-based direct selling system has served it well, given rising manpower costs, it can continue to be effective only if the volume of unit sales per salesman keeps rising. However with unit sales of packet tea having lost considerable ground to loose teas and the company's diversifications into other consumer product lines such as safety razor blades not having quite panned out, modifications of the hitherto sacrosanct direct selling systems are being contemplated. During the past decade, the company has closed down over 800 depots and "rationalised" journey patterns and frequency of retail calls. "We are not wedded to the direct selling system and market dynamics may force a change," admits Hanumant Rao.

Such flexibility and open-mindedness — also evident in the management's demonstrated ability to pull out of projects running awry without regard for considerations such as loss of face — is another strength of the company. With personnel and travelling costs having risen sharply in recent times and given the availability of fairly sophisticated and relatively cheap trade distribution channels, BBI is likely to have to dilute its direct selling system in due course.

Then again direct selling places
ter emphasis on ensuring supply
creating demand. But with the em
ence of television as a cost-effectiv
vertising medium, the company's
phasis is likely to shift to direct appe
the consumer through the creation
spected brand images. Hanumant
admits as much. "Now there is a gr
emphasis on creating a demand pu
our products in the marketplace tha
trade push as in the past," he says.

NOTABLE SUCCESSES

But to a much greater extent th
the domestic market, the adoptio
more sophisticated marketing sys
and techniques is discernible in BBI
port division which has chalked up



Hanumant Rao: direct appeals

notable successes in intensely com
tive markets abroad. Currently the
pany is far and away India's larges
porter of branded tea and tea bag
ranks among the top five exporte
branded products in India. In BBI's
ended 29th June 1985, the comp
marketing efforts abroad yielded a
able foreign exchange income o
51.40 crores of which an impressiv
38.13 crores was contributed by v
added branded products.

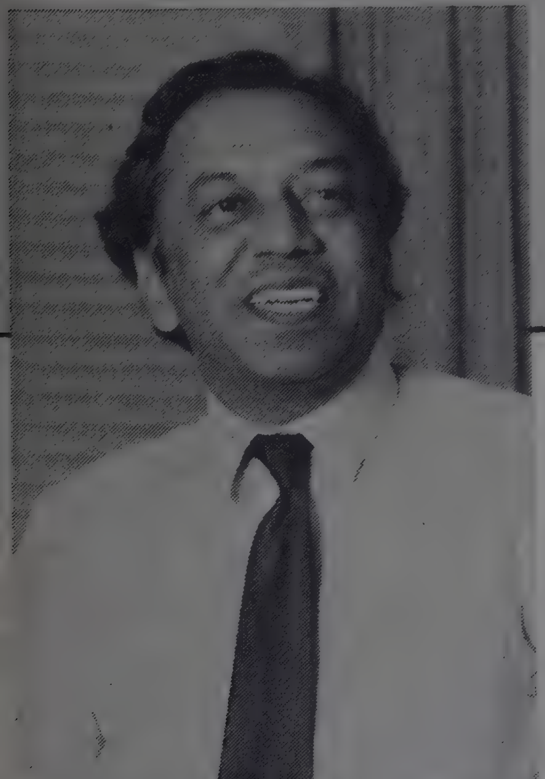
Certainly BBI has made conside
inroads into foreign — particularl
West Asian — markets since it
menced its export business in 1968-
which year it chalked up an expo
venue of Rs. 50 lakhs. In the next
the company earned a more respec
export revenue of Rs. 13 crores. O
Rs. 11 crores was contributed b
sales of unbranded commodities.

But since then, the company's e

rofile has changed gradually and cur-
ently its brands have carved out envi-
ble market shares in some of the most
ompetitive markets in the world. "I
ink it would be substantially true to say
at no other Indian company has been
; successful in establishing its brands in
oreign markets as BBI," says Shiv
rivastava (49), a business administra-
on graduate of Glasgow University who
gned up as a management trainee with
BI in 1959 and has since risen to the
osition of the Calcutta-based senior
ice president (exports) of the company.

According to Srivastava — who takes
particular pride in the export perform-
nce of the company because it was he
ho was in charge of the branded pro-
ucts export department when it was in-
ugurated in 1969 — BBI's branded
acket teas and tea bags have acquired
espectable reputations abroad. "Cur-
ently BBI's Red Label is the largest sel-
ng tea brand in Dubai, Kuwait and
Qatar and in Egypt, our Blue Tea Pot is
he second largest. Likewise, BBI has the
econd largest share of the market for tea
ags in West Asia — excluding Saudi
Arabia — after Lipton (UK). In the mid
eventies following discouraging re-
ponse abroad, we relaunched our tea bag range after improving the packaging. Currently we export 48% of the tea bags exported from India," says Srivastava who also forsees a big market for BBI's branded spices abroad. "In 1985-86, we doubled our earnings from the export of spices to Rs. 4 crores," he adds.

> **"I think it would be substantially true to say that no other Indian company has been as successful in establishing its brands in foreign markets"**
> SHIV SRIVASTAVA



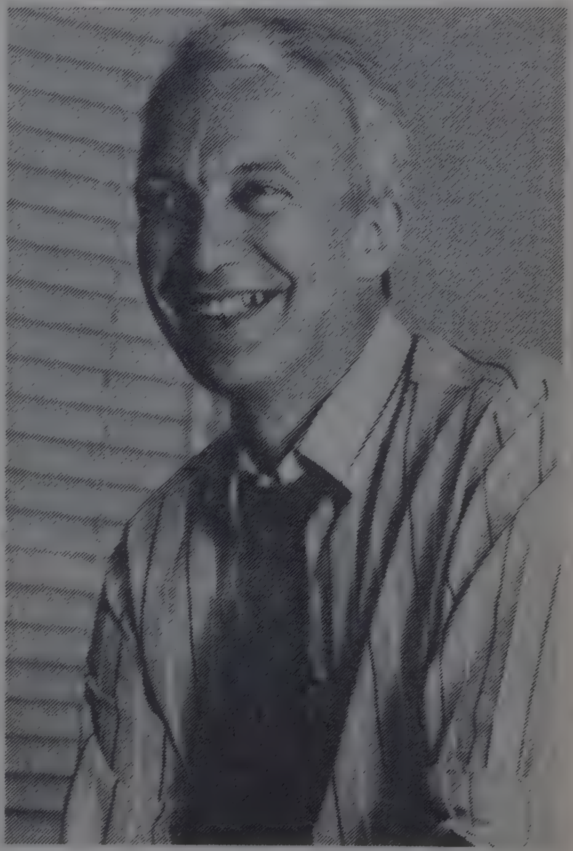
INSUFFICIENT AWARENESS

Nevertheless Srivastava admits that the company's branded products have made no impact in the tough and competitive markets of the West. According to him the cost of advertising and promoting a brand in these markets is gigantic by indigenous standards. "Though the emphasis in the national export drive is quite rightly on value-added branded products, there is insufficient awareness in government that establishing a brand in internationally competitive overseas markets in a slow and expensive process. The rules relating to the expenditure of even earned foreign exchange for advertising and sales promotion abroad are too cumbersome and the procedures too slow to permit marketers to react speedily to market conditions which tend to change quickly. Some degree of trust has to be reposed in those doing the actual job of brand promotion in distant markets," says Srivastava alluding to the fines imposed on the company and on him personally for a technical violation of FERA earlier this year.

The Enforcement Directorate's raids on the company's offices and the residences of senior executives have undoubtedly demoralised BBI managers. In the confusion following the raids, the company's export drive has suffered. Consequently, the company's export revenue in the recently concluded year ended June1986declined by18% to Rs.42.5 crores from Rs. 51.40 crores in 1984-85.

Nonetheless, Srivastava is inclined to be optimistic about the future. "Winning market shares for branded products abroad is a tough business and Indian industry has yet to develop the export outlook and culture that is the prerequisite of success. However, BBI is one of the success stories of the national export drive. I believe we have established a beach-head in West Asia from where we propose to move further in both directions," says Srivastava who has set his sights on an export revenue of Rs. 75 crores by 1989-90.

With its core businesses — tea, coffee and spices — in fine fettle even if the company's diversifications have not quite panned out, BBI's management is appropriately beefing up the technical facets of its primary profit centres. "There is considerable potential for further modernising the packaging of our teas. This will not only have a healthy impact on domestic and export sales but will help us reduce packaging costs. A modernisation programme engineered by our industrial machinery division for which we have budgeted Rs. 4 crores will begin to be implemented this year," says John Bee (45), a mathematics and operations research graduate of Birmingham University and a former chief executive of a timber company within the Brooke Bond Group (UK) who joined BBI in early 1980 and who is currently the vice president (technical) of the company. In this capacity Bee supervises the operations of the company's about-to-be-sold meat and leather and industrial machinery divisions.



Bee: modernisation programme

HEALTHY BOOST

In the coffee division too the BBI management is injecting a dose of new technology which should give the business a healthy boost, says Bee. The company has recently signed a technical collaboration agreement with Niro Atomiser, Den-mark to obtain the technology for the manufacture of agglomerated or granular instant coffee. "The international trend is towards the consumption of agglomerated instant coffee. With our Hosur instant coffee plant which has a capacity of 1,800 tonnes per year now on stream, we are not only working on improving the quality and taste of our traditional spray dried instant coffee, but are racing ahead with our agglomerated instant coffee project. Manufacturing instant coffee is a much more complex business than most people believe, but we

BusinessWorld
September 1—14, 1986

C.S. SAMUEL

"...we are most likely to concentrate our growth and diversification in those areas in which we have experience..."

■ **On 19th August the company inaugurated its ambitious corporate campus on a 20-acre site at Kundalahalli village near Bangalore. Brooke Bond has moved house frequently in recent years from Calcutta to Bangalore and now to this campus. What is the rationale behind the campus idea?**

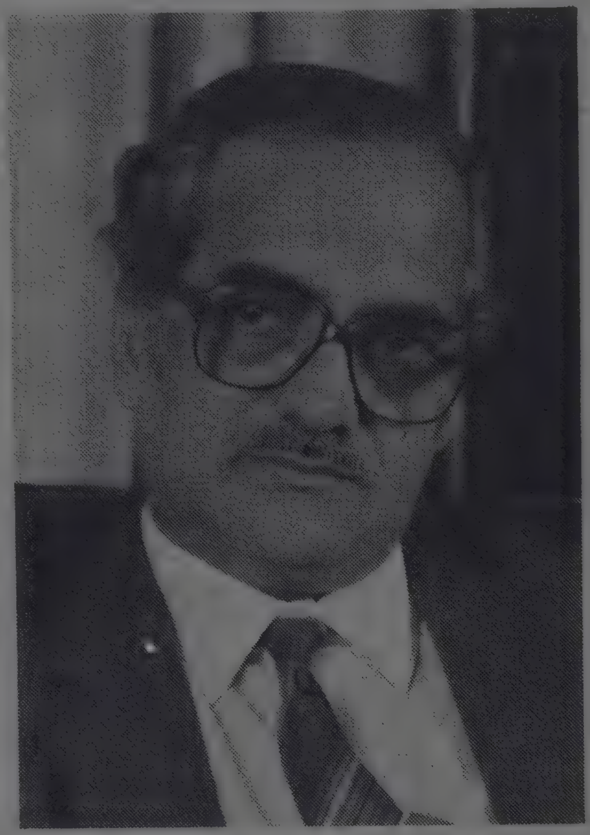
In terms of communication and control, we felt that Bangalore would be a more effective corporate centre for us and that was the rationale for the shift of our corporate office from Calcutta to Bangalore in 1981. But even now Brooke House, Calcutta, is an important establishment for the company as the registered office and the headquarters of all our export operations and tea buying are based in Calcutta.

In Bangalore, why the shift of the corporate office away from the centre of the city to a suburban village? Naturally, we wanted a permanent corporate home in Bangalore. We could have done the obvious — built or acquired a multistoried office of our own in the fast growing city in which there is great pressure on the infrastructure. We decided against this as the new complex offers us practically all the conveniences of being near the city and at the same time gives us the added attraction of being closer to nature and offers an improved working environment. We expect a better quality of life and work in Brookefields, which incidentally is only 20 minutes from the city and seven minutes from the airport.

Financial considerations were also in favour of a move to the suburb as the entire complex — the corporate office, a residential training centre, a club house, an auditorium and some residential accommodation spread over 20 acres of land — has cost the company much less than what it would have spent to have just a city office to meet our immediate requirements.

■ **Since *BusinessWorld* last profiled Brooke Bond four years ago, some of its diversification plans have run awry. In particular the company's ambitious meat and leather processing unit situated in Aurangabad is proposed to be sold and the oleoresins and razor blades projects have not taken off. In view of this, how well is the company faring?**

For a traditional tea and coffee blending and packeting company, entering totally new areas of business necessitated bold and challenging decisions. Obviously, there was a calculated risk behind our decisions to diversify into these new projects. For this reason, we made sure that none of these projects was too big to make a significant dent in our overall operational performance in the event of their running into problems.



I believe our decision to enter the meat and leather businesses was a sound one and was commercially justified at the time. Brooke Bond Group plc, London, was strongly placed in the corned meat business having acquired considerable production and marketing experience and expertise. This, combined with the financial and general management skills of our company persuaded us to undertake this project. However, over the years, for international reasons, Brooke Bond Group has been winding down its meat operations and thereby we lost the expected support. Moreover, Egypt, the main market for our corned meat, is experiencing great economic strains and hence does not allow us a dependable market abroad — and ours was a 100% export unit. In addition, intense competition from the South American countries
have forced international prices down
levels that are uneconomical for us.
view of all these adverse developmen
— most of them beyond our control
we came to the conclusion that a dives
ture of this project is commercially t
most prudent decision. An acceptab
offer from a well established and reliab
business house has no doubt helped
to make this decision. As a professior
manager, I am convinced that it tak
more courage and pragmatism to dive
than to invest.

Our oleoresins project was a minor o
and we gave up this operation as o
production cost of high quality oleor
sins for international markets proved t
uncompetitive.

Our efforts to enter the razor bla
market by taking over Centron Indu
rial Alliance Co. and the reasons why
gave up this project even after
habilitating this sick company, are w
known. In this exercise, we have learn
first hand, how some of the monopoli
operate in this country!

How well is the company faring? T
answer is simple. Quite well in rece
years. Our domestic business is prof
able and growing. We are better
tablished with our value-added pack
tea and tea bags exports making substa
tial contributions to profits. The sal
turnover of the company has increas
from Rs. 186 crores in 1981 to Rs. 3
crores in 1985. In addition during the
five years, profit before tax has improv
from Rs. 10.6 crores to Rs. 19.1 crore
The performance in the just complet
year ended 30th June 1986 is expected
be distinctly better. I think that the co
sistent quality of our results and t
equitable manner in which we share o
prosperity with our shareholders, em
loyees, consumers, suppliers and the e
chequer — all major partners in our bu
ness — is a matter of justifiable pride.

■ **One somewhat surprising diversific
tion of the company has been into t
manufacture of 50 cc motorcycles. How
this project faring?**

Our decision to take over the si
Karnataka Scooters Ltd. in May last ye
was admittedly off-beat. At the time
taking this decision there was good co
mercial justification for doing so. Ho
ever, I must admit that the automoti
two-wheeler industry in the country
now passing through a phase of over e
pansion, intense competition and so
uncertainties. We have the added task
rehabilitating a sick company with lar
past liabilities. We are not yet out of t
woods and will need more time and so

ıck to get this project going on a com- ercially viable basis.

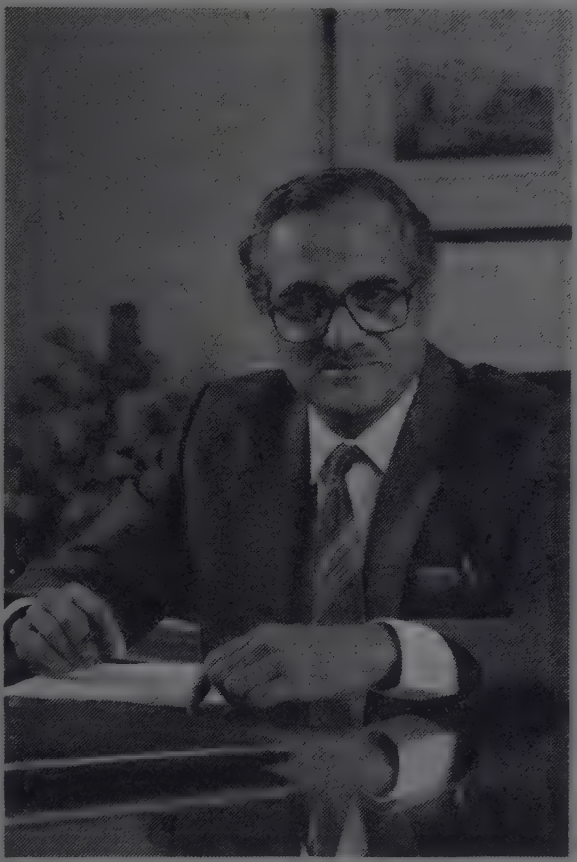
Recently too, the company was harged with a violation of the country's oreign exchange laws which made news- aper headlines. Subsequently, as chief ecutive of the company you were ob- ged to tender an apology to the Union overnment. What is your comment?
recent years the company has been ving much emphasis to value-added acket tea and tea bag exports. In the ce of stiff international competition ainly from Sri Lanka and the United ingdom, we have achieved notable success in increasing our packet tea and tea ag export revenues from Rs. 12 crores 1980-81 to Rs. 30 crores in 1984-85. In ur effort to continue to improve our xport performance, our manager in ubai was coordinating the marketing fforts of our non-resident agents in the Vest Asian countries. In this connection e received certain amounts (Rs. 29 khs in two years) directly from our gents out of their funds with a directive om them to spend these funds for the urpose of advertising and promoting ur products on their behalf.

Following a complaint from Dubai, e directorate of FERA carried out an vestigation regarding certain aspects of ur tea bag exports. During the course of vestigations, it transpired that the bove arrangement involved a minor echnical violation of FERA in that our anager had operated a personal bank ccount to canalise our agents' funds for dvertising and sales promotion without BI sanction. We admitted this violation nd tendered an apology. The authorities have accepted our apology and nposed a nominal fine on the company nd on some of our executives. But while he company has decided not to pursue his case further, the individuals conerned are appealing against the order.

Obviously this has not been a pleasant xperience for our executives. Although he investigation was generally carried ut in a fair manner, this has caused a ertain amount of disruption in our export business and has adversely affected he enthusiasm and morale of our export nanagers.

Personally, I believe that the country eeds stricter enforcement of laws especially in areas where deliberate wrongloing is involved. However, in the overall interests of economic growth, particuarly of exports, the track record of individuals and companies should also be ooked at to determine the modalities of uch investigations. In the context of India's urgent need to boost exports there is an urgent need to examine some of the provisions of FERA and to recognise the realities and difficulties of marketing value-added branded goods abroad.

■ Another recent development which is believed to be of considerable significance to Brooke Bond India is the takeover in London of the Brooke Bond Group plc. by Unilever plc which is the major shareholder in Hindustan Lever and Lipton India. What is the impact of this development on Brooke Bond India?
The takeover of Brooke Bond Group by Unilever was certainly a sudden and unexpected move. To me personally, with my 17 year exposure to Unilever before I joined Brooke Bond, it was like the return of the prodigal son. If Brooke Bond Group was destined to lose its corporate identity, we in Brooke Bond India are pleased that it is Unilever that has succeeded in taking it over.



The worldwide manufacturing and marketing strengths of Unilever are well known and being part of the Unilever group gives us much confidence for the future because the technical, marketing and commercial strengths of Unilever will be indirectly available to us. Another significant area of assistance will be in R&D and management development.

While we can count on these strengths, Brooke Bond India continues to operate as an independent Indian public limited company in the same way it has been doing since 1967. Brooke Bond Group holds around 39% of our equity and to that extent we continue to have contacts with them. Also, the control of Brooke Bond Group is from the Rotterdam headquarters of Unilever.

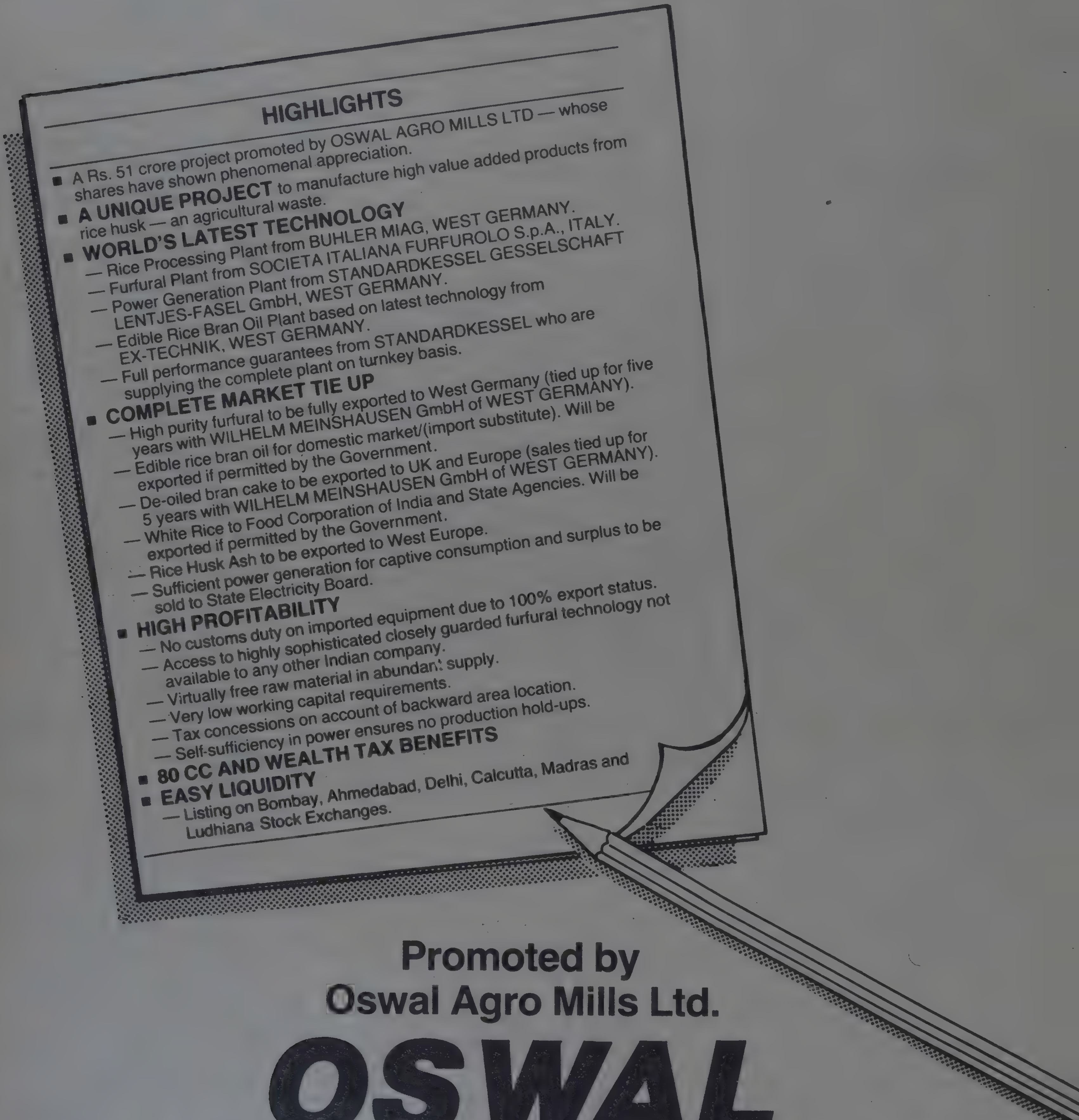
■ The Brooke Bond India management seems to have taken a decision to consolidate its presence in familiar lines of business — the motorcycle diversification excepted. Looking ahead, how optimistic are you about the company's future?
I honestly don't believe that there is anything permanent about corporate philosophies and plans. The task of corporate managements is to attain a company's business objectives within the context of the overall corporate goals set from time to time. The business environment, political situations and economic conditions keep changing and any progressive management should be capable of adapting to such changing conditions. Our philosophy of corporate growth fits in well with this belief.

The strength of Brooke Bond India and the group is in commodities and the consumer goods industry. Unilever has many more strengths but one of its main areas of business is food and beverages. Considering our own experience in this country, in future we are most likely to concentrate our growth and diversification in those areas in which we have experience and expertise and where we can count on Unilever support.

I am being realistic when I predict a bright future for Brooke Bond India. India is one of the largest consumer goods markets in the world despite relatively low per capita purchasing power. Any company offering value for money in terms of quality and price has enormous scope for profitable growth in this country. We have also demonstrated our capabilities of successfully competing with international companies in marketing value-added branded goods abroad.

Then again, over the years the company has grown without getting into debt. Therefore, based on reasonable plans and assumptions there will be considerable cash generation in the company. The management's task will be to deploy the company's cash and managerial resources in areas where the company has experience and expertise. I believe that under the new economic policies of the country, companies like Brooke Bond in the private sector will have ample opportunities for profitable growth and to make a significant contribution to the national economy.

The company which generates wealth from waste should do wonders for your investment too.



HIGHLIGHTS

- A Rs. 51 crore project promoted by OSWAL AGRO MILLS LTD — whose shares have shown phenomenal appreciation.
- **A UNIQUE PROJECT** to manufacture high value added products from rice husk — an agricultural waste.
- **WORLD'S LATEST TECHNOLOGY**
  - — Rice Processing Plant from BUHLER MIAG, WEST GERMANY.
  - — Furfural Plant from SOCIETA ITALIANA FURFUROLO S.p.A., ITALY.
  - — Power Generation Plant from STANDARDKESSEL GESSELSCHAFT LENTJES-FASEL GmbH, WEST GERMANY.
  - — Edible Rice Bran Oil Plant based on latest technology from EX-TECHNIK, WEST GERMANY.
  - — Full performance guarantees from STANDARDKESSEL who are supplying the complete plant on turnkey basis.
- **COMPLETE MARKET TIE UP**
  - — High purity furfural to be fully exported to West Germany (tied up for five years with WILHELM MEINSHAUSEN GmbH of WEST GERMANY).
  - — Edible rice bran oil for domestic market/(import substitute). Will be exported if permitted by the Government.
  - — De-oiled bran cake to be exported to UK and Europe (sales tied up for 5 years with WILHELM MEINSHAUSEN GmbH of WEST GERMANY).
  - — White Rice to Food Corporation of India and State Agencies. Will be exported if permitted by the Government.
  - — Rice Husk Ash to be exported to West Europe.
  - — Sufficient power generation for captive consumption and surplus to be sold to State Electricity Board.
- **HIGH PROFITABILITY**
  - — No customs duty on imported equipment due to 100% export status.
  - — Access to highly sophisticated closely guarded furfural technology not available to any other Indian company.
  - — Virtually free raw material in abundant supply.
  - — Very low working capital requirements.
  - — Tax concessions on account of backward area location.
  - — Self-sufficiency in power ensures no production hold-ups.
- **80 CC AND WEALTH TAX BENEFITS**
- **EASY LIQUIDITY**
  - — Listing on Bombay, Ahmedabad, Delhi, Calcutta, Madras and Ludhiana Stock Exchanges.

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OSWAL AGRO FURANE

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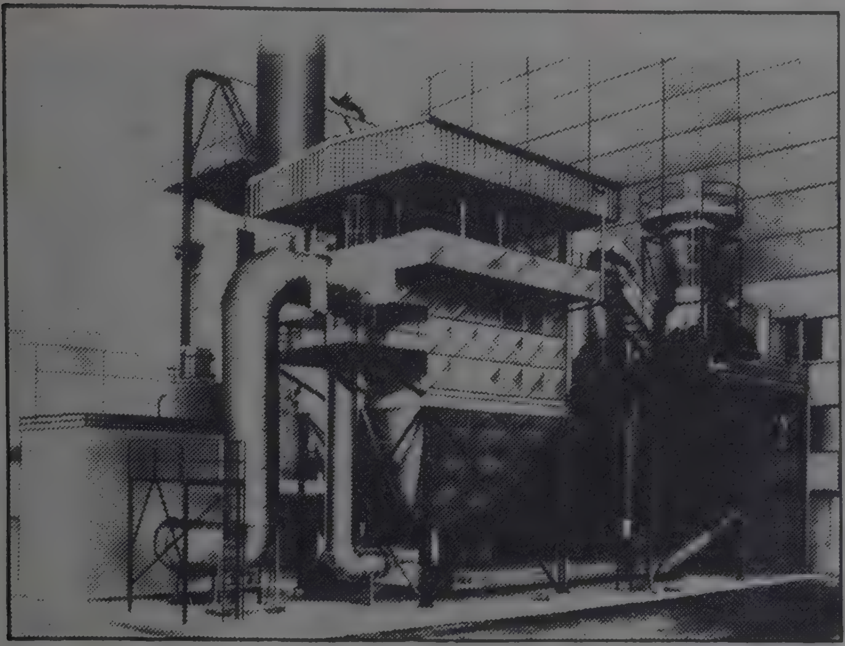
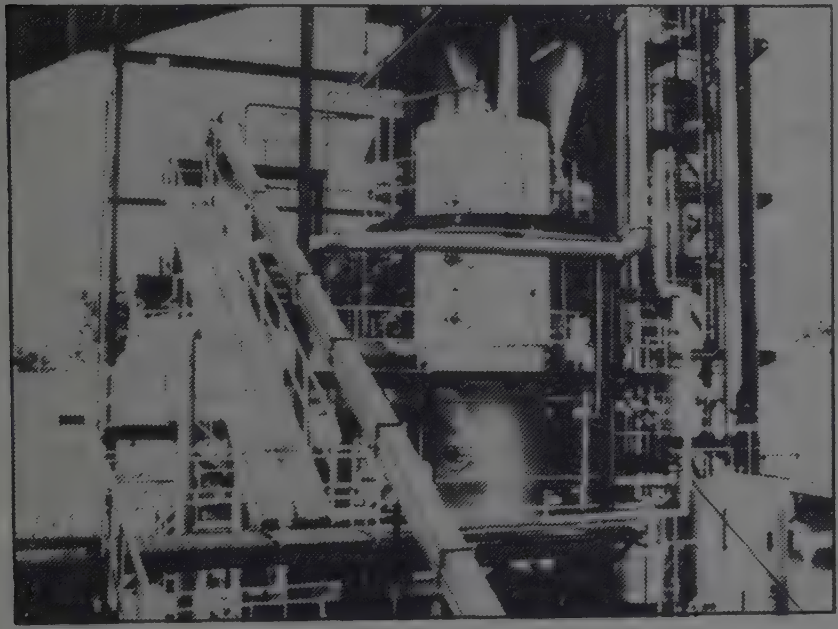


The largest rice processing plant in the world.

The largest edible rice bran oil plant in the country.



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PRESSMAN

hope to be first in the Indian market with agglomerated instant coffee," says Bee.

And though several of BBI's diversification projects have run aground, Bee believes that the effort has not been entirely wasted. "The company's efforts to diversify into the meat and leather, agglomerated instant coffee, automotive two-wheelers and paper industries have sharpened the technology orientation of the company and this is likely to have beneficial spin-offs for its trading businesses. Immediately on my arrival I was quite surprised by the technological orientation of BBI and these diversifications have sharpened willingness within the company to look for technological solutions to business problems,"he says.

Yet perhaps the most important indicator of the health of BBI is that the failure — or indifferent successes — of several of its diversifications notwithstanding, morale in the company is high. Despite what some managers in the company describe as Samuel's "accountant's outlook" of watching the short-term bottomline too strictly, there is an easy camaraderie between the top brass within the company which extends down the line. The corporate culture is not rigidly hierarchical and younger managers and employees in general have easy access to senior managers.

"I would say that the industrial relations climate in BBI is unique and enviable. I can think of hardly any company in India which has 8,500 employees serving in 50 establishments all over the country, represented by 30 local unions, and which has a strong national federation of employees, which can claim that it has not experienced a single all-India strike even for a day during the last 30 years," says K.S.V. Sampath Kumar (54), a doctor of chemistry of Madras University, who served in the Bhabha Atomic Research Centre (1964-67) and Hindustan Lever (1967-73) before signing up with BBI in 1973. Currently Sampath Kumar is the vice president (personnel) of the company.

Though it might be stretching things a bit to say that this enviable industrial relations climate within the company is the consequence of shared values — the hallmark of excellent companies according to the authors of the best-selling *In Search of Excellence* — there is no gainsaying that there is considerable respect for the individual in BBI. In particular the management places an emphasis which is unusual in the Indian context on employee remuneration and welfare.

NOVEL SCHEME

Thus the average wage in the company of Rs. 2,200 per month is high by Indian standards and welfare expenditure incurred per employee is over Rs. 500 per month. In addition the BBI management has voluntarily introduced a pension scheme which guarantees all employees a monthly pension of between Rs. 168 and Rs. 591 after retirement. But even more spectacular is a novel monthly deposit scheme (to which only the company contributes on behalf of all employees) introduced recently under which an employee serving 40 years with the company could get a handsome sum of Rs. 3.36 lakhs as a "maturity amount" and an income-cum-pension payment of Rs. 3,057 per month on that amount. "The equitable manner in which we share our prosperity with our shareholders, employees, consumers, suppliers and the exchequer — all major partners in our business — is a matter of justifiable pride," says Samuel.

While it is open to question whether consumers will agree that BBI shares its prosperity adequately, its shareholders and the government (which apart from Rs. 12.52 crores collected by way of excise, garnered an additional Rs. 10.60 crores by way of corporate income tax in 1984-85) have little cause for complain Ditto the company's 8,443 employee "Industrial relations in BBI are good ar employees' problems are settled ami ably through negotiations. I think it true that the company's prosperity shared with employees though we hav not computed or examined in detail as what part of it is shared," th Hyderabad-based P. Rama Rao (38), law graduate of Osmania University ar president of the all-India Brooke Bon Employees Federation told *Busines World's* Hyderabad correspondent P.I Diwakar Rao.

And well might Rama Rao sour satisfied. The federation has recent signed a "historic" new four year wag accord with the company incorporatin the path-breaking welfare schemes cite above.

Perhaps even more significant is th fact that the Bangalore-based compan offers its young managers generous pa and perquisites and a stimulating env ronment in which to give off their bes The company recruits an astonishin

How Brooke Bond compares

	Year ending	Net sales (Rs. crores)	Profit before tax (Rs. crores)	Profit after tax/net worth (%)	Return on capital employed (%)	Total liabilities/ net worth (%)
Hindustan Lever	31.12.85	617.95	55.96	22.80	20.36	149
Brooke Bond	**30.6.85**	**364.28**	**16.94**	**15.64**	**17.82**	**206**
Lipton	30.6.85	292.09	6.26	18.66	19.74	299
Tata Tea	31.12.85	174.23	17.67	24.59	17.00	191
Food Specialities	31.12.84	105.43	10.41	31.39	22.49	172

Source: The Stock Exchange Official Directory

"I would say the industrial relations climate in BBI is unique and enviable"

K.S.V. SAMPATH KUMAR

complement of almost 20 management trainees every year and quite obviously prizes them highly. They start with a handsome stipend of Rs. 2,670 per month. "Brooke Bond doesn't only offer jobs. We offer careers to the bright young managers we employ," says Sampath Kumar.

DEMOCRATIC CULTURE

Shishir Lall (27), a postgraduate in history of Delhi University who signed up with BBI in 1981 and who is currently senior product manager (spices and direct i.e. institutional, sales) agrees. "BBI has a democratic culture in which the taking of decisions at junior management level is encouraged. Besides, top management is easily accessible and even by multinational standards our remuneration packages are very good. Perhaps even more important is the fact that it is a growing company which is always looking for diversification opportunities. Therefore challenges and chances to move up the executive ladder are available in plenty," says Lall.

Quite clearly, with its core businesses spewing profits and employee morale riding high despite the setbacks it has suffered in its diversification attempts, BBI is in good nick. By ensuring that the company did not over-extend itself while diversifying and playing his cards deftly in the wake of the offshore takeover by Unilever of Brooke Bond Group, Samuel has won an additional two year period to clean up the minor mess created by BBI's diversification forays and a chance to ensure that his successor comes from within the company.

It is also quite clear that both Samuel and the top managers of BBI have learned a valuable lesson from the diversification attempts of the recent past: the importance of sticking to the knitting, i.e. of diversifying into related businesses. Therefore the major preoccupation of the company during the next 30 months of Samuel's reign is likely to be the expansion and consolidation of its tea, coffee — especially instant coffee — and spices businesses. And though BBI's top-level managers are tight-lipped on the subject, the chances are that should a face-saving proposal like the Allana offer for the Aurangabad meat and leather complex be received for the company's controlling equity shareholding in Karnataka Scooters, BBI would be more than willing.

Samuel admits as much. "Over the years the company has grown without getting into debt. Therefore based on reasonable plans and assumptions (that) there will be considerable cash generation within the company, the management's task will be to deploy the company's cash and managerial resources in areas where the company has experience and expertise. I believe that under the new economic policies of the country, companies like BBI in the private sector have ample opportunities for profitable growth and to make a significant contribution to the national economy," he says optimistically.

Certainly within the sylvan environment of BBI's new corporate campus in which Samuel and the senior vice presidents of the company will reside, the top management team of perhaps India's most efficient consumer goods marketing company will have plenty of time and opportunity to rationalise its diversification strategy and consolidate its presence and market shares in its traditional businesses. And if its top brass manages to do this there's a good chance that it will not only ensure that Samuel's successor comes from within — either Srivastava, Sabharwal or Roy—but also continue to keep big brother in Bombay at a healthy arm's length.

"This is a growing company which is always looking for diversification opportunities. Therefore challenges and chances to move up the executive ladder are available in plenty"

SHISHIR LALL

BBI's changed parentage

On 10th October 1984, the London-based Brooke Bond Group plc (BBG) which owns 39.9% of the shareholding of Brooke Bond India Ltd. (BBI) and is a respected name in the marketing and distribution of tea, coffee, meat and other food products; plantations; ranches; horticultural and other agricultural activities as well as printing and microbiology in several continents, was taken over by another London-based transnational — Unilever plc. As a consequence BBI which had hitherto been engaged in a bitter battle in the Indian packet teas market with the Unilever affiliate Lipton India Ltd. has become a somewhat uncomfortable stable mate of its former rival in this country.

Sound health. At the time of the takeover, BBG was by no means a sick or unprofitable company having chalked up a massive sales turnover of £1,078.6 million or Rs. 1,995 crores and a pre-tax profit of £72.1 million. The company which employed 62,834 employees worldwide was in sound health having recorded a 49.6% higher pre-tax profit in its year ended 30th June 1984. However, since the takeover by Unilever, one of the major steps taken by the new management of the company has been to divest the company of its timber business which contributed £300.8 million of its turnover of group and related companies of £1,188.5 million in 1983-84.

Another consequence of the takeover of BBG by Unilever in London is that the Bombay-based consumer products colossus Hindustan Lever Ltd. (HLL — net sales: Rs. 617.95 crores in 1985) in which Unilever owns 51% of the shareholding, has acquired a *primus inter pares* position within the Unilever affiliated companies in India. For C.S. Samuel (57), president and chief executive of BBI the takeover of BBG by Unilever has an ironical twist. In 1971, Samuel quit HLL after having risen to the position of chief accountant of the company because he was not promoted to the position of finance director. Now 15 years later, he finds himself back in the Unilever fold.

And though Samuel and the HLL top brass maintain that the identity of BBI as a separate company will be unchanged, it is a moot point whether this oft articulated aspiration will be realised.

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Beyond the manuals

WORDSTAR FOR THE IBM PC AND COMPATIBLE COMPUTERS
By Allan Hoenig
(Publishers: India Book Distributors Ltd., pp.205, price: Rs. 225)

INTRODUCTION TO WORDSTAR
By Arthur Naiman
(Publishers: B.P.B. Publications, pp.208, price: Rs.65)

One truth that has not been communicated effectively to potential computer users is that one does not need to know programming to be able to use contemporary computers. All that is required is the ability to type—and to understand computerese. The introduction of pre-packaged software to meet most needs has taken the sweat and tears out of learning to use a computer, but unfortunately the manuals which accompany these software packages are rarely intelligible to the average businessman who merely wants to get on with using his brand new PC.

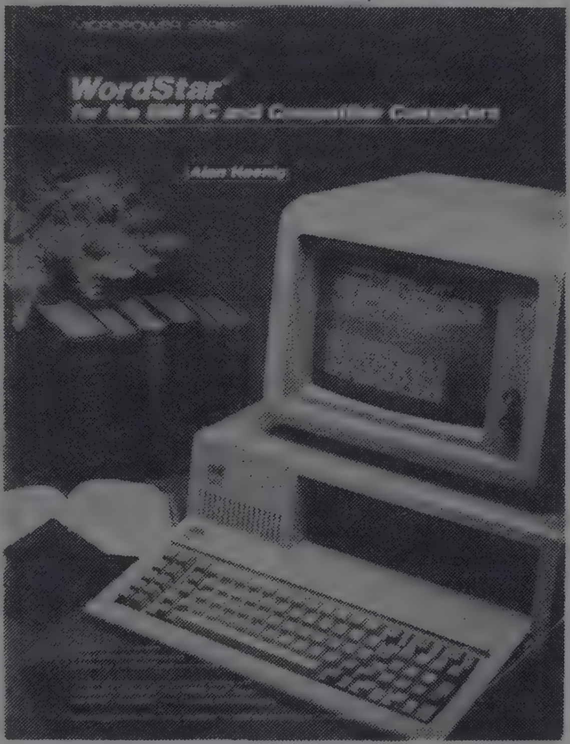
Defeating the very purpose of the software, which is to make the use of computers as easy as possible for the lay person, the manuals burden his understanding with too much information and tend to be written in precise and intimidating compartments more useful to the professional rather than to the amateur. This has led to a proliferation of 'textbooks' which claim to make the better known software packages easier to operate. True they cannot quite eliminate the manuals, but they do make it easier to use available software to the quickest and best advantage. As the choices in textbooks increase, the frustrated and bewildered businessman is likely to find that it will still take him time to start up his PC.

Fortunately however, two excellent textbooks on the popular word processing program, WordStar developed by the MicroPro International Corporation and designed for the IBM PC and compatibles have appeared on the scene. Both are based on the 1983 version of WordStar which is available in India just now. Both have special chapters for add-ons, some of which are not available in India as yet, but hopefully will be soon.

IDEAL SITUATION

The textbooks are written as if one is running the WordStar program while reading them—the ideal situation. But such books are also useful in helping one decide whether the software is actually suitable for one's needs. Since there are at least five popular word processing software programs available, it becomes a bit easier by reading the textbooks, to decide which program will suit a particular individual best.

Both the textbooks take the novice gently through the labyrinth of the commonest computer terminology, such as what is a cursor, how to format new floppy disks, what are menus, how to open and close files, how to use the special control characters on the keyboard and how to print out the result of his labours. However the *modus operandi* recommended to get the best out of the WordStar program by the authors of the two books are quite dissimilar.



After explaining what word processing is all about, Hoenig divides his readership into three categories: the elementary, the intermediate and the advanced WordStar user. Naiman also first explains the utility of word processing programs in general and offers examples on the best ways of getting the most out of them. But he goes on to deal with the various WordStar functions separately, allocating a chapter each to editing, moving and deleting blocks of text, global searches and substitutions, file handling, onscreen formatting, and special print features and dot commands, irrespective of the reader's level of experience.

In a sense, it is immaterial which method is chosen, since the WordStar program is not all that complex, and that every user should make a determined effort to learn all the commands and get the most out of the program. After spending a considerable amount on the WordStar, there is not much point in using a PC only as a glorified typewriter.

A rather useful feature of Naiman's book—*Introduction to WordStar*—is the map of WordStar. Not exactly what one would associate with the word 'map,' the illustration shows precisely how the lines of command function in the program. This is an extremely useful diagram, particularly for the intermediate level user. Naiman has also marked his paragraphs with sketches of the keys which must be pressed for particular commands. For example, if after issuing a command, you wish to cancel it for some reason, you push the control key together with the 'U' key. In Naiman's book, this function is explained both by word and sketch. Hoenig's treatment is in a lighter vein: "Keep this command in mind by remembering that the 'U' stands for 'uh-oh'," he says.

ADDITIONAL PROGRAMS

Both authors devote their last few chapters to additional programs which can be run in conjunction with WordStar. Some of these have been designed by MicroPro, the inventors of WordStar, while others have been created independently. Naiman's book covers only MailMerge and SpellStar in detail, but mentions the availability of DataStar, SuperSort, Documate/Plus.

In contrast, Hoenig devotes some 70 pages to add-ons. Apart from covering MailMerge in painstaking detail, as well as discussing the various spelling checking programs such as Word Plus, he goes on to talk about the value of add-ons, how to use them while keeping drives and memory in control, and how to get out of trouble. He mentions the features of a new grammar and style corrector—'Strunk and White'; and gives complete details on how Documate/Plus can help systematise content tables and indices as also how to use programs for preparing footnotes and bibliographies.

The basic difference between the two books is in the prices. However, if pushed to make a choice, I would choose Hoenig. Though he offers quite puerile illustrations after each chapter, the text is very neatly laid out, in small paragraphs which are easily digestible by the new computer user. Also, being a newer book, the add-ons section has greater variety. Even if some of these are not available today, they may be in the near future, and it is always useful to know what is being offered in the West.

Gita Piramal

The value of the corporate symbol

SUSHIL BAHL

A company's symbol or logo is more than just a corporate identification mark. It is in fact a vital communication tool which—as a large number of marketers are discovering—is capable of projecting a positive image of the company and building a distinct corporate identity.

The validity of this observation was confirmed when five top-notch advertising graphics designers in Britain (but hardly known here) were interviewed by the reputable advertising and marketing magazine *Campaign* (October 1984). All of them were unanimous that a company symbol or logo is a vital communication tool, but differed in their perception of what is the truly basic and single-most important ingredient for creating an effective corporate symbol.

David Lock, creative partner of Lock Pettersen, is of the opinion that in building an effective corporate identity the visual trademark should be given less importance than the company's name. The best corporate symbols, in his view, are those such as the Shell and Penguin trademarks which enhance or complement the name of the company.

MISAPPLIED TERM

Colin Wiltshire, senior designer of Fitch & Co., believes that 'corporate identity' is probably the most abused and misapplied term in the dictionary of graphic design. He argues that it is about time designers spent less time on trying to impose good taste upon a company's identity through logos and symbols, and concentrate instead on reflecting more of the corporate culture and business of an organisation. Wiltshire's favourites: Shell and Coca-Cola.

Michael Wolf, designer at the highly successful Apple Computer Co., believes that a corporate symbol or logo must have a style—lively, cheerful, simple, bold and engaging—to be successful, just like his own company's in comparison with that of other computer companies such as IBM or ICL!

John Lloyd, a partner in Lloyd Northover, feels that only occasionally is it possible to come across a logo which is as visually distinctive and a perfect expression of its subject as are those of the British Bank of the Middle East or Canadian Railways, which he believes are excellent examples of effective corporate logos or symbols.

If one were to analyse the features of corporate symbols designed in India, it would make an interesting study. We have a unique mixture of logos that have entered India from abroad (via the multinationals) as well as those which have been designed and created entirely by local creative talent. As it happens, they are also a natural blend of all that has been expressed by the five British design experts cited above. Indeed, there is a fairly large number of symbols and logos which have built solid and powerful images successfully for companies in India, which can be cited as examples. And each one of them can be said to be strong and effective in terms of selected specific parameters as well as in the broad overall sense.

CLASSIC EXAMPLES

The HMV symbol of the gramophone and the dog, and the Hoechst name and logo combination are examples of logos of foreign companies in India, where there is a perfect affinity between the company name and trademark. The HMV symbol is precisely descriptive of the company's activity and its products' primary benefit—fidelity of sound. Similarly Hoechst's name which means "highest" (in German), rendered in the strong Helvetica typeface when combined with the 'tower and bridge' logos signifies the company's high standards and worldwide connections which it offers to its customers.

Among the purely indigenous corporate symbols, the Air-India's Maharaja, Asian Paints' Gattu and MRF Tyres' muscle man are classic examples of symbols and names complementing and reinforcing each other to communicate an effective message of the owner companies' activities.

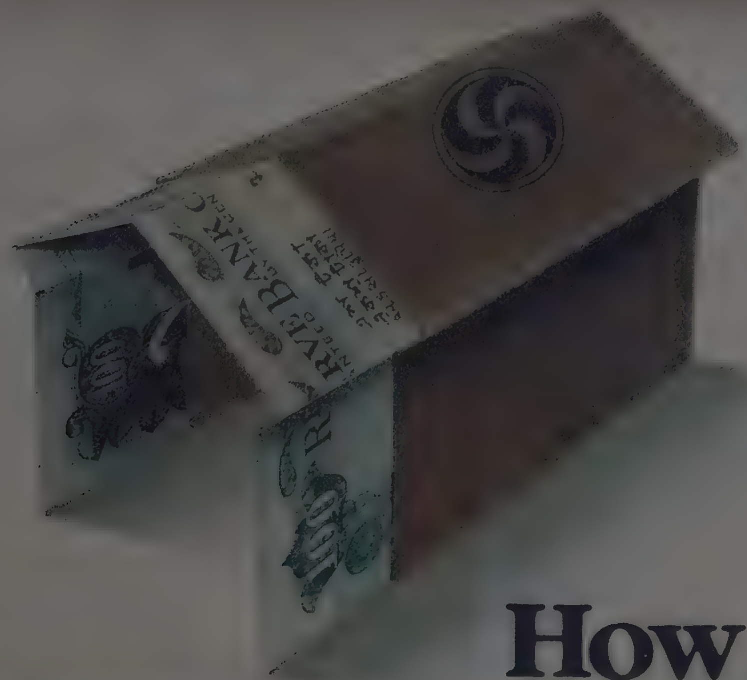
Symbols which concentrate on creating associations with a company's business and which reflect corporate culture or values of an organisation are not rare in India either. This is mainly because marketing professionals in India still continue to subscribe to the basic belief that this is the principal role of corporate symbols and logos and consequently do not let creativity dominate without a purpose. The State Bank of India's symbol of a keyhole encompassed in a circle is effectively crafted, and yet it clearly projects the bank's basic activity with strong associations of safety and security. In the same way, Escorts Ltd's. 'E' symbol is ingeniously designed. It has within it a nut and a spanner which are elementary tools within the engineering industry. The symbol thus directly communicates the business and culture of the company to the public.

While new trends and new standards are being set every day in the business of designing corporate symbols and logos the world over not excluding India, not a few straightforward typographical oriented and distinctive symbols still retain their popularity and effectiveness. Sony, IBM, Canon and Citibank are some of the well-known foreign ones, and Air-India, Tata Steel, MRF Tyres, Parle's, Lakme and the Welcomgroup hotels chain are some of the indigenous corporate symbols which have successfully created an impact on the public consciousness.

TRICKY BUSINESS

It is an acknowledged truism that one of the key characteristics of corporate identity is differentiation, and thus effective corporate symbols and logos are invariably chosen after a thorough analytical study of the company, its business(es) or personality so that it clearly—though subconsciously—projects a positive image. But often in a too desperate effort to differentiate, many designers and company managements tend to either over or under design their corporate symbols.

The well designed corporate symbol is quite simply worth its weight in gold. It can symbolise and visually communicate the objectives, experiences or simply the values of an organisation and save a fortune in terms of product advertising and sales promotional costs. Somewhat belatedly, marketers in Indian industry are awakening to this reality.



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Flexibility	Average	Poor	V. Good
Workability	Poor	Poor	V. Good

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Shilpi IPCL 1/86

BusinessWorld
September 1—14, 1986

Products & processes

RANJIT HIRA

As in other areas of industrial activity, in the field of consumer electronics as well, developed countries are way ahead of India. While this country continues to produce audio cassettes of mediocre quality, the compact disc (CD) which was introduced a few years ago in developed country markets is rapidly gaining ground. A laser beam 'reads' the digital code embossed on the CD without any physical contact resulting in flawless reproduction of sound and no wear and tear at all.

Recently however,a Japanese company introduced a digital audiotape (DAT) player which, it is claimed, surpasses the sound quality of CD's and permits home recording which was not possible with CDS. The company has also introduced 8 mm video cassettes which can be used for digital audio recording as well.A single 8 mm video cassette can hold 24 hours of music.

DIGITAL AUDIOTAPE

Onkyo, Japan,has recently introduced its model DT-1000 digital audiotape (DAT) player into the market which it claims is superior to CD players, not only because it can improve upon the spectacular sound reproduction of CDS but also because it has one crucial advantage: it permits the user the facility of recording at home. It is this versatality which is expected to enable the DAT concept to steal a march on the success of CD players. The fidelity of a DAT recording is claimed to be even higher than that of the CDS and that of ordinary audio cassette players. In addition, the cassettes themselves are only a third the size of conventional audio cassettes.

The Onkyo DT-1000 cassette deck offers three different operating speeds at which sound can be sampled and stored as digital information. At the highest speed — which achieves the most faithful record of every nuance of sound — DAT can record the entire range of frequencies audible to the human ear, surpassing all currently available consumer audio recording media. With a tape speed of 2.255 mm per second a DAT compact cassette can record for 80 minutes.

At a slower tape speed, a single compact cassette can record for four hours. However, a slower speed also means the sound will be less accurately preserved, although fidelity will still be superior to that of conventional audio cassettes. Because the third speed matches the speed of CDS, recordings can be transferred from CDS to the compact cassette—a very popular selling point, although it could lead to rampant piracy of CD records Onkyo's DT-1000 costs approximately $1,000 (Rs. 12,000).

SYNTHESISED STEREO TV SOUND

Spectrum 2000 Inc., USA, has perfected an add-on type of electronic unit branded Televonic which provides a synthesised stereo output from monaural television and video equipment. The model STS-2001 can be implanted directly into any telev sion receiver but requires installation by a qualified technicia The model STS-2002 however simply needs to be connected wi a television's earphone output outlet and/or a VCR audio outle When connected with a stereo amplifier Televonic can provi a stereophonic sound which matches the performance of expensive stereo television, at a fraction of the cost.

WORDS THAT SELL

Caddylak Publishing, USA, has recently introduced a uniqu thesaurus to help the promotion of products, services ar ideas. This unusual book lists more than 2,500 high powere words, phrases and slogans which have been used by profe sional copywriters in advertising agencies to sell just abo anything, according to the publisher.

Arranged by category,the book allows you to flip to the rig list to choose the words that suit your needs. The categori include 'grabbers','descriptions and benefits','clinchers', 'tern and offers' and 'special categories'.The perfect idea-stacker a must for anyone who sells in print or in person, are containe in this book.

LASER MARKING SYSTEM

Laser Impressions, USA, has perfected equipment which uses laser beam for permanent non-destructive marking on mo surfaces in almost any configuration with consistently hig quality. This new equipment can mark serial numbers, engrav logos and make markings in various fonts and sizes includin bar codes. Typical applications include labels, metal compo nents, electronic components, printed circuit boards, etc.

VACUUM CLEANER FOR MINI-COMPUTERS

The Metropolitan Vacuum Cleaner Co., USA, has introduced portable vacuum cleaner specifically designed to clean an maintain computers, office equipment, laser printers an photocopiers. Called Data-Vac, the vacuum cleaner is de signed to keep personal and business computers runnin smoothly. The distinctive features of the cleaners are a set attachments specifically designed to clean those hard-to-reac areas of such equipment. The cleaner has an opening which only a few millimetres in size for super-fine spot cleaning an comes with a handy shoulder strap for easy manoeuverability

AIR POWERED FILES

Dynabrade, USA, has introduced compressed air powere hand-held files which replace hand files and hand sanding an rotary files. There are 25 different interchangeable conta arms which are available with the new device. Each can b removed and interchanged in seconds. This new file uses ¼" 24" abrasive belts with grits ranging from 60 to 500. The offs contact arms can enter openings as small as 3/8". These files ar particularly useful for grinding radius welds and can also b used for polishing with loose belts.

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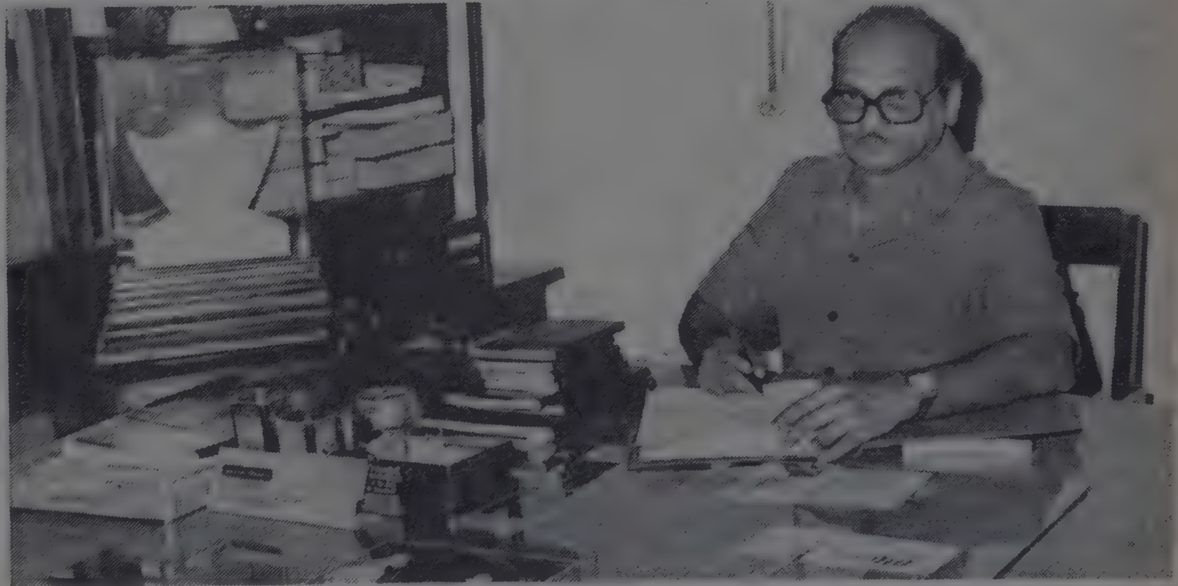
A penchant for precision

Shopfloor view of Canara Precision Products: success wrenched from perverse fate.

Corporate managers who give up cushy positions to venture forth as entrepreneurs are a growing—and lately much publicised—tribe. But he case of K. Janardhan Achar (50), proprietor of the Bangalore-based Canara Precision Products Pvt Ltd., the only Indian firm to develop and successfully manufacture keyless drill chucks widely used in the metal works industry s somewhat different. A diminutive, soft-spoken man who boasts of no high-flying academic qualifications or family pedigree but gifted with a sharp technical mind, Achar has quite literally wrenched success from the hands of a perverse fate and is well on the way to realising his childhood dream of becoming an entrepreneur of distinction.

Achar's success is not yet measurable in monetary terms: his company's estimated sales revenue for 1985-86 is only Rs. 10.55 lakhs with a gross profit of Rs. 3.15 lakhs. But he has achieved what the committed entrepreneur wants more than anything else—respect and recognition—in ample measure.

In 1983, the government of India conferred on him the 'outstanding entrepreneur in the small sector' award which carried a cash prize of Rs. 10,000. A year earlier, the KLN Foundation of Bangalore awarded him the first prize for new inventions. In 1986, a high precision grinding chuck, developed by Achar and exhibited at the IMTEX'86, won him yet another award, this time from the FIE Foundation, Ichalkaranji. And from his customers—the list includes Bajaj Auto, TELCO and BHEL—Achar has commanded respect for manufacturing products of high quality. Achar's success story is remarkable for reasons of human interest as well.



Janardhan Achar: respect and recognition in ample measure

NO STIMULI

Born 50 years ago, in Kokkarane, an obscure village some 55 km from Mangalore, Achar's environment provided none of the stimuli that could have developed a mechanical genius. Since his own village did not have a high school, young Achar had to trudge six km everyday to a school located in a neighbouring village. After his schooling, Achar wanted to pursue a course in engineering but his father, who owned a small smithy in his village, wanted him as his assistant.

However, Achar was not easily dissuaded. Given to pottering around in his father's workshop in his free time, he designed and fabricated a replica of a steam engine, from scraps stealthily collected from the shop floor—a feat an engineering graduate equipped with a full fledged workshop would have found difficult to match. The model, to Achar's delight, actually worked! Village folk who had never seen a steam engine in their lives, much less a working model, flocked to the house to see the contraption. Even his father, now convinced of his son's technical skills allowed himself to be persuaded to send his talented son to college. Thus did the village blacksmith's son launch on a career in engineering. Achar promptly enrolled for a diploma course in mechanical engineering at the Karnataka Polytechnic, Mangalore. The steam engine model, which he carried along with him helped him again—this time to get a scholarship.

Having finished the course, Achar went to Bombay in search of a job. But in vain. He returned to Bangalore and joined Hindusthan Aeronautics Ltd. (HAL) in 1959 as an apprentice. After six months of training he was deputed to HAL's artisan training school (now defunct) at Ambernath. "In the three years I spent there I gained invaluable experience in tool design, tool making, jig boring, thread grinding, etc," recalls

Achar, whose brilliance as a craftsman won him many accolades from his German supervisors at the training school.

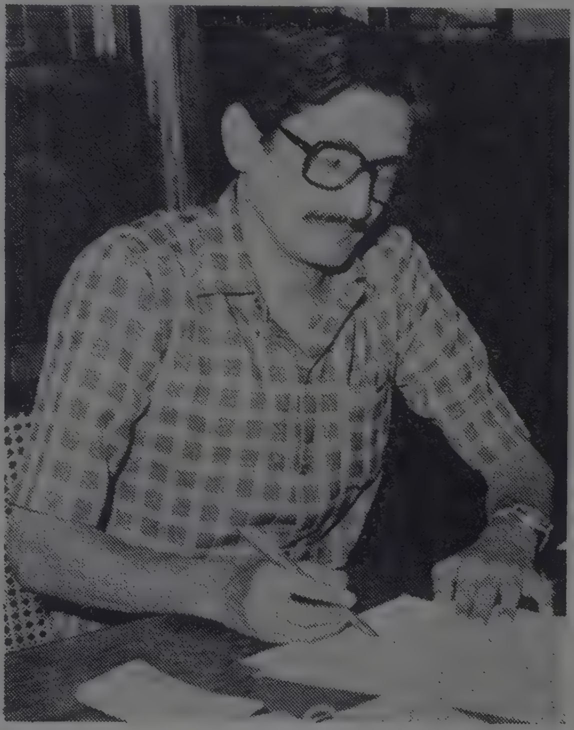
Back again in Bangalore after the training, Achar was appointed tool designer in HAL. "I was there for five years... five miserable years during which I achieved little, thanks to the petty politicking and sloth in the tool design department," he says. At the end of his eight year contract with HAL, a much relieved Achar joined MICO in Bangalore, which paid him well and appreciated his work. In 1967, much against the advice of his superiors in MICO, Achar joined an engineering firm in Rajkot which offered him an attractive job. He quit within a year, when dissension between the firm's partners surfaced, and returned to Bangalore.

PENNILESS MISERY

"I now decided to be my own man, even if all I could aspire to was a shed with a single lathe machine. It was around this time that I was introduced to a Congress party activist who promised to jointly finance a small scale engineering venture. The fool that I was, I handed over to him Rs. 15,000, the bulk of my savings. The fellow cheated me completely," says Achar, who found himself penniless and without a job at a time when he had to support his wife, daughter and two younger brothers in college. "To add to my misery an abcess developed on my right hand. A government hospital doctor recommended immediate amputation of the limb. Fortunately, I had the sense to consult another doctor of my acquaintance. He treated me for a month and I became all right, although my right hand now is not as functional as my left,"he adds.

After a year and a half without a job, a friend helped Achar find employment in an engineering ancillary unit in Bangalore. The salary, Rs. 500 per month, was half of what he earned in MICO. Yet, a combination of adversity and opportunity only tempered his resolve to become an entrepreneur. Achar utilised the facilities of the small ancillary company to develop the keyless chuck, which he was later to manufacture himself. He didn't last long at this job, at least in part because his heart was elsewhere. Again, through the good offices of a well-wisher he found another job, this time in a small company which manufactured vacuum-coating units. "While I was working in this firm, a former classmate who had earlier called me over to Rajkot, joined me. He suggested that along with another of our former classmates, we team up and start an enterprise of our own. I readily agreed," he recalls.

Achar's long tryst with adversity had however not run its course. In 1970, the trio pooled Rs. 30,000 from their savings, obtained a bank loan of Rs. 3 lakhs and set up a partnership firm called Canara Auto Products in Bangalore, to manufacture king pins and other automotive items. Over the next 10 years, the venture prospered and three additional units were added. Then misfortune struck. "As a result of growing conflict between the partners about the apportioning of liabilities and responsibilities, I decided to opt out. Then the manufacturing units were bifurcated and I got one of the units, which at the time had outstanding liabilities of Rs. 5 lakhs! I decided to call the firm Canara Precision Products," recalls Achar. But this time, fortune smiled on Achar and determination and hard work paid off.


Shashikant: stable prices

CEASELESS LABOUR

Canara Precision Products began operations in a small rented shed in J.P. Nagar, Bangalore. Initially Achar concentrated on manufacturing small components for machines, power-tiller parts, tool room items and so on, on a job-work basis. He was however determined to produce keyless drill chucks, the market potential for which was obviously large. "It took me two and half years of ceaseless labour to develop the first prototype of the keyless drill chuck and nearly eight months to get it to the production stage. In fact it became such an obsession with me that I would wake up at the odd hours of the night and rush to the factory, propelled by an idea or a new solution to elusive problem... My wife was co vinced that I would go mad at this rat recounts Achar with a touch of pri "But then it was well worth the eff since I can now claim without fear contradiction that my product compa with that of the renowned Germ manufacturer, Albrecht," he adds.

Achar attributes his subsequent su cess in marketing his chucks to the fa that even his normal drill chucks a made to a precision tolerance of 0. mm and special purpose drill chuck meant for jig boring and similar oper tions, to a precision tolerance of 0. mm. Keyless drill chucks, unlike t conventional key-type chucks, are ma of hardened alloy steels and are ther fore more durable. They are easier operate since the drill bit gets automa cally tightened when the torque com on it.

Observes Syed Ahmed (45 machine-shop supervisor and Achar trusted lieutenant: "The grinding an assembly of the chucks are done i house, but the hardening of the metal done elsewhere because we have neith er the facilities nor the space. Assem ling the parts is the most difficu operation since all the eight met components that comprise a keyle chuck should match perfectly if we a to get the high levels of accuracy we ai for. Both the raw material, alloy stee and the final product are tested rigo ously before we pass the product on t our customer with a six month guara tee. If raw materials of the desire quality arrive on time, we can produc about 200 chucks per month in thi factory."

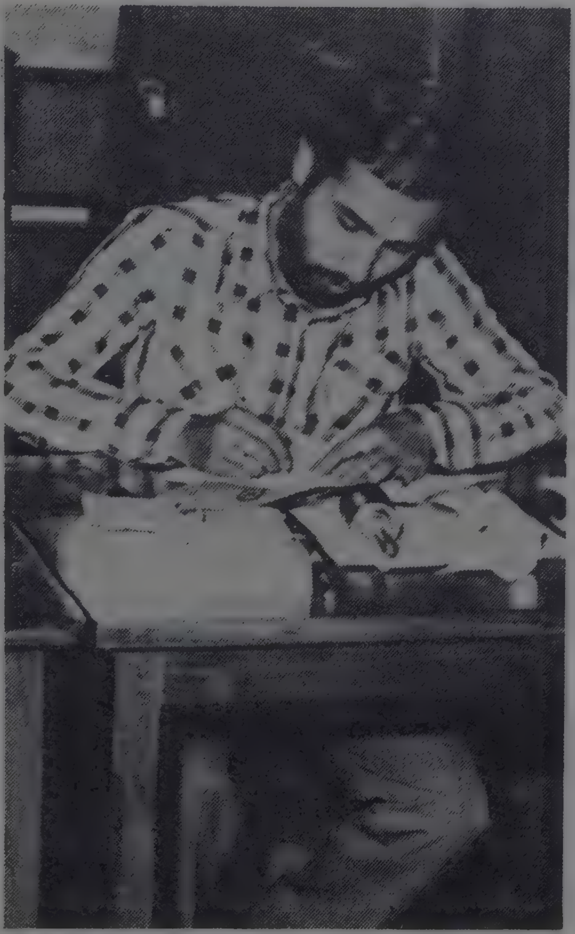
The supply of high grade alloy steel is however erratic and prices hav skyrocketed too, says Ahmed. "Thre years ago we were able to purchas HCHC (high carbon, high chrome) stee at Rs. 25,000 per kg; today it is Rs 60,000. EN 36, another grade of allo steel, was priced at Rs. 12,000 a tonne today it costs Rs. 18,000 per tonne Quality has also gone down considerably," laments Ahmed.

MONOPOLY PRODUCER

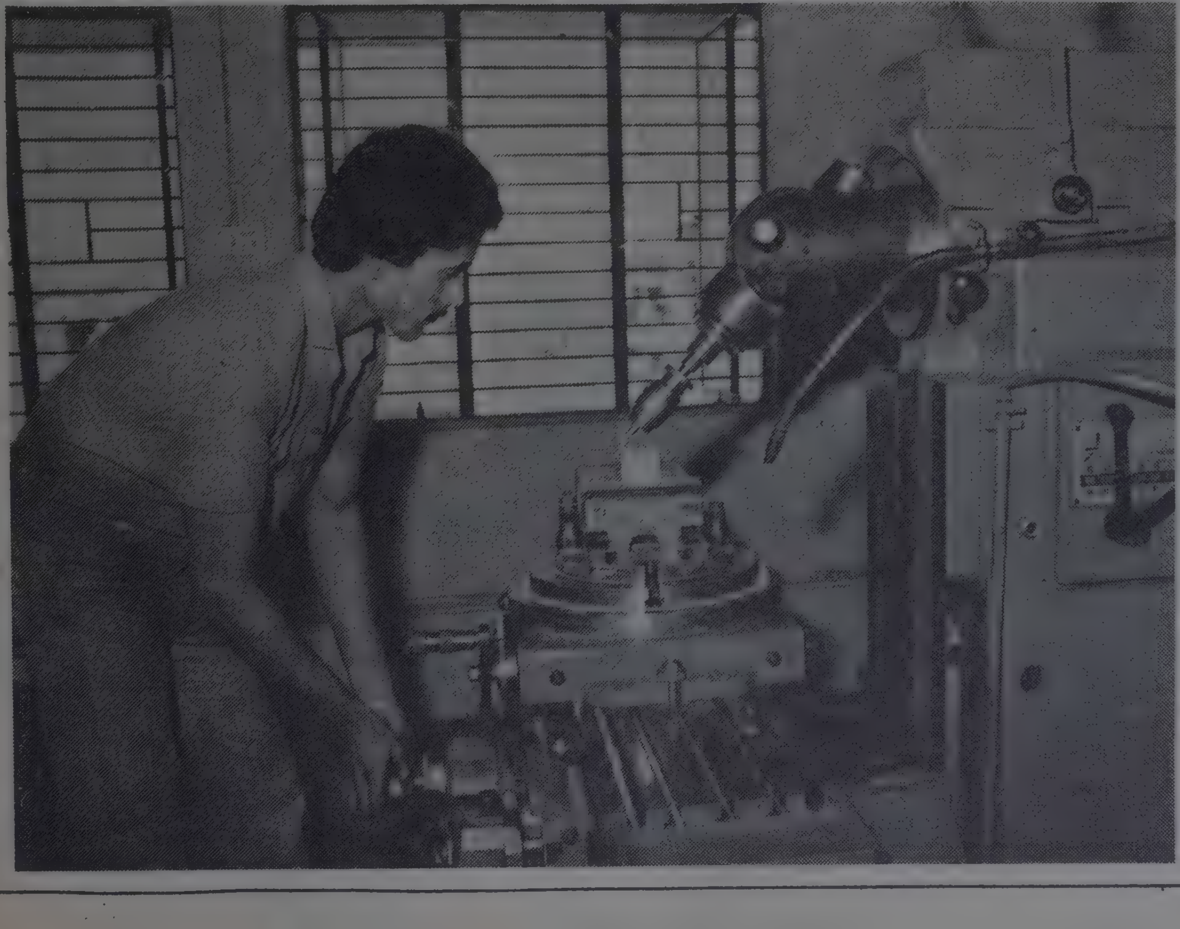
But more than raw material cos escalations, the cost of labour is high i this industry since the manufacture o keyless chucks involves a number o operations and treatments, says M. Shashikant (38), an arts graduate o Mysore University, who is responsible for the commercial side of Canara Precision's operations. "Because we are a monopoly producer of keyless chucks, we can afford to jack up prices but I should point out that we have done so only recently, after an interval of four years," he says.

Production of keyless chucks commenced in 1982, with the output ranging between 150 and 200 chucks per month. Currently, the company manufactures chucks in two sizes: 0-6 mm and 0.8-13 mm. Three new ranges of sizes 0-3 mm, 0.5-10 mm and 1-16 mm—are under development and will be in the market in a couple of months. To keep up with the demand, Achar hopes to increase production to 500 chucks a month within the next two years.

But while keyless chucks are easily marketed in view of the continuing gap between demand and supply, with customers such as MICO, Widia, Bajaj Tempo, HAL, NGEF, BHEL clamouring for more, delays in receiving payments for chucks sold poses frequent problems, says M.K. Balachandra (28), a commerce graduate of Karnataka University and accounts manager of the company. "Big companies are no exception. We give 30 days' credit to financially sound customers but it is not unusual for payment to get delayed by as much as three months. To be on the safe side we usually do not sell on credit to customers outside the state."


Balachandra: payment problems

Canara Precision Products' sales turnover has gone up from a modest Rs. 3.15 lakhs (gross profit: Rs. 94,000) in 1980-81 to an estimated Rs. 10.55 lakhs (gross profit: Rs. 3.15 lakhs) in 1985-86. The gross profit margin, avers Achar, ranges between 30% and 35%. Consequently, Achar has not only been able to wipe off Rs. 4 lakhs from the outstanding liabilities of Rs. 5 lakhs he started with, but has also been spurred on into promoting a new venture named Canara Precise Products Pvt. Ltd. to manufacture grinding chucks. A grinding chuck is a holding device made of hardened and ground alloy steel and used in grinding machines, special purpose machines and computer and numerically controlled machines where precision is vital.

Keyless drill chuck being mounted on a milling machine: easily marketed


The project was established at a cost of Rs. 28.4 lakhs, with the Karnataka State Finance Corporation providing Rs. 21 lakhs by way of a term loan. The spacious new factory is located on a one acre plot in Veerasandra, 12 km from central Bangalore, on the Hosur road. "Our grinding chucks will be manufactured to a precision tolerance of 10 microns. In India only lathe chucks, of an accuracy level of 50 microns, are being manufactured at present. Commercial production of chucks, in four sizes ranging between 95 mm and 195 mm diameter, will commence shortly. We hope to produce 150 chucks this year, 600 in the second year, and 700 in the third. We already have orders aggregating Rs. 70,000 on hand and I am confident the firm's sales turnover will touch Rs. 2 lakhs by September next year," says Achar.

KEYS TO SUCCESS

Good rapport with his 32 workmen—15 in the Canara Precision Products factory and 17 in the Veerasandra factory—is one of the keys to Achar's success. Not for him air-conditioned cabins and meetings by appointment only. He is accessible to his workers at all times, pays them reasonably well, and apart from paying an annual bonus at the rate of 15.5% of the basic salary to both permanent and temporary workers, provides free transport to those employed in the Veerasandra factory. His personal physician attends on all his employees and medicines are distributed to them free.

What's more, Achar himself is found more often working alongside his employees in the shopfloor than at his unpretentious desk. His normal workday begins at 6 am sharp and ends at 10 pm. He commutes to work in the same office van as his employees and returns home with the workers after the last shift.

There are two things, he says, he does not compromise on: quality and punctuality. "I do not believe in making quick gains from a shoddy product. Had I done so, I would not be living out of a rented house and, believe it or not, I have no personal savings either. I cannot brook unpunctuality either. A worker or staffer who comes even 10 minutes late without any valid reason is sent back home. I am never late for work, and I expect the same from my employees."

N. Raghavan

BHARAT EARTH MOVERS

A public sector showpiece

By N. RAGHAVAN

Against mounting criticism of public sector enterprises in the country the Bangalore-based Bharat Earth Movers Ltd. is perhaps a model of what a public sector company can—and should—be. Yet, six years ago few monitors of the corporate scene would have rated highly the chances of this company emerging as a trendsetter in product innovation and rising labour productivity.

The publication recently of a three part article authored by Union minister for energy Vasant Sathe in *The Times of India (TOI)* has come as something of a surprise. Sathe's no-punches-pulled critique of the inefficiencies of the Indian public sector as expostulated in the *TOI* articles contain little that is original. Yet they undoubtedly signify a new awareness within government that the Rs.70,000 crores of the citizen's monies invested in the public sector have been inefficiently and wastefully utilised and that if growth rates are to be stepped up, the public sector will have to generate a reasonable return on investment. Few monitors of the economy believe that Sathe has given expression to this scathing indictment of the public sector of his own accord. Indeed, the interpretation that is most widely subscribed to is that Sathe has been used to publicise the unpopular warning that the massive Indian public sector industry is now being placed under notice to perform or else.

It is against this background that the handful of successful and profitable public sector enterprises provide models of what a public sector company can and should be. One such public sector undertaking is the Bangalore-based Bharat Earth Movers Ltd. (BEML — sales: Rs.483.04 crores; net profit: Rs.23.1 crores in the year ended 31st March 1986) which has not only maintained an excellent track record but is also a trendsetter in product innovation and increasing labour productivity as well.

Six years ago, few monitors of the corporate scene would have rated highly the chances of BEML emerging as a public sector showpiece. Paralysed by labour disputes and low productivity, BEML was hobbling along at a snail's pace in the early eighties. Yet, today BEML is not merely one of the most profitable companies in the public sector in this country, but has also earned a reputation for product innovation which is the envy of many private sector companies.

Constituted originally as a departmental undertaking under the charge of the defence ministry to manufacture a few select models of earthmoving equipment and rail coaches, BEML has since added over 20 new models of earthmoving vehicles and a host of other products to its product line. Consequently, the company today ranks as Asia's second largest manufacturer of such equipment after the Japanese company Komatsu Inc. And within India, BEML is now the undisputed market leader in the indigenous earthmoving equipment market, in which

The many faces of BEML: a reputation for product innovation commands a hefty 70% market hare.

The company also won the national roductivity awards in 1982 and 1984, nd figures 11th among 68 public sector nterprises listed by the Bureau of ublic Enterprises as showing inreased profit before tax in 1984-85. Ineed, the BEML success story is remarkble not merely in comparison with ther public sector companies, but with nost private sector companies as well. ts sales revenues have grown at a apid 90% per annum on average beween 1980-81 and 1985-86 and BEML is ow planning to increase its sales turnver to Rs. 1,000 crores and its pre-tax rofit to Rs. 100 crores by 989-90.

Comments BEML chairman and nanaging director M.B. Ajwani (54), a nechanical and electrical engineering raduate of Pune University who oined the company in 1984 after a long tint in BHEL where he rose to the posion of group general manager: "We ave set for ourselves a sales target of s.1,000 crores by 1989-90. Though his target may seem ambitious, we are onfident that it will be achieved beause we propose to undertake several ew diversification projects, and also xpand our existing product line by dding higher capacity models and new arthmoving products for the coal, nining and other civilian sectors. urther, BEML has been identified by he Union government to undertake he manufacture of some vital equipnent for use by the defence services. his activity will also add to our reenues."

But new projects are not the only asis for Ajwani's optimism in the fuure of the company. BEML today is the ingle largest manufacturer of earthnoving and construction equipment n India, and Ajwani is confident of naintaining the market leadership osition of the company. It is also the econd largest supplier of integral railoaches to the Indian Railways and enerates 11.53% of its aggregate reenues from this line of business.

The company's products encompass lmost the entire range of earthmoving quipment required for the core sectors uch as coal, mining, irrigation and ower, iron ore and steel besides deence. The coal sector companies are he company's largest customers ccounting for 40% of the company's ales. Irrigation and power sectors ccount for 15% of sales; steel and iron re 12%; railways 11%; defence 8%; ndustries such as cement and companies engaged in oil exploration and nining of copper, zinc, etc., constitute the rest. The envisaged Rs.180,000 crores investment in the public sector during the Seventh Plan will mean that demand for BEML's products will grow significantly — and thus enable it to meet its targets.

MILITARY ORIGINS

The somewhat unusual confidence that permeates the BEML headquarters is self-evidently the result of excellent management; yet more than a few monitors are inclined to the belief that BEML's success is also a product of its military origins and the fact that the company continues to be administered — at one remove — by the Union defence ministry. The genesis of the company and how it came to be under the jurisdiction of the defence ministry is an interesting story.

Ajwani: confident of maintaining the market leadership position of the company

Until the early sixties, the country's requirements of earthmoving equipment was imported *in toto*, largely from the US. But in keeping with its policy framework of import substitution-led industrialisation, the Union government decided to manufacture such equipment indigenously albeit with foreign collaboration. The job of producing wheeled-type construction and mining equipment was entrusted to the defence ministry-administered Hindustan Aeronautics Ltd. (HAL), since it was felt that this company's rail coach manufacturing division had the requisite accommodation, equipment and technical staff to execute the project. That was in December 1962.

Within two years however, BEML was incorporated as an independent company under the defence ministry, with an authorised capital of Rs.7.5 crores. And, following the Union government's decision to establish a corporation comprising the various units engaged in the manufacture of aircraft and shed any non-aircraft activity from it, the rail coach division of HAL was transferred to BEML.

In December 1965, yet another public sector company under the administrative jurisdiction of the director general of ordinance factories which manufactured crawler tractors was also transferred to the company. BEML commenced manufacturing operations in 1965 with the assembly of earthmoving equipment in collaboration with Le Tourneau-Westinghouse Co. (now Westinghouse AirBrake Co. — WABCO — a division of Dresser Industries Corporation, USA). These early products were mostly wheeled-type construction and mining equipment to which a new line of crawler-mounted equipment was added soon after. This latter class of products was manufactured in technical collaboration with Komatsu Inc., Japan. It subsequently entered into collaboration with yet another company — a Yugoslavian enterprise called Radojedakic— to manufacture a particular model of wheeled dozer for the army.

While the collaboration agreement with Radojedakic has since expired, BEML continues its partnership with WABCO and Komatsu for the manufac-

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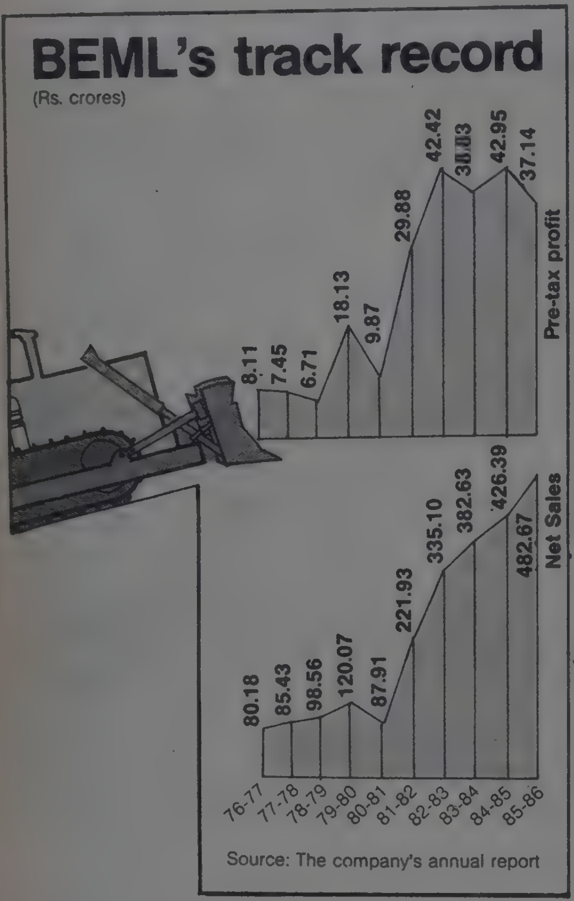
ture of various models and capacities of earthmoving equipment. Over the years BEML's product line has expanded to include over 13 product categories and over 35 individual products, a range so wide that some degree of functional bifurcation of manufacturing facilities was imperative in order to maintain efficiency. Accordingly, BEML now has three production facilities, one each in Kolar Gold Fields, Bangalore and Mysore — all in Karnataka.



BEML's track record

(Rs. crores)

Source: The company's annual report

The Kolar complex, by far the largest and employing 6,170 of the company's total workforce of 14,582, manufactures hydraulic excavators, bulldozers, wheeled loaders, track shovels and pipe layers. The Bangalore division — the oldest — produces sleeper coaches, day coaches and postal and parcel vans, meeting about a quarter of the Indian Railways' requirements. The coaches are built according to a Swiss design so that they will be compatible with those manufactured by the larger public sector Integral Coach Factory Ltd., Madras. The Bangalore factory also manufactures such wheeled earthmoving equipment as scrapers, motor graders, and 'C' cranes, besides heavy duty trailers and aircraft towing tractors, essentially for defence applications.

The Mysore complex, which went into production last year, currently produces rear dump trucks of 25-85 tonne capacity. These product lines were transferred from the Kolar unit because of projected increases in the volume of demand and range of products that are proposed to be manufactured. It will also, in due course, take up the manufacture of water sprinklers (used in mine sites), currently manufactured at the Kolar unit.

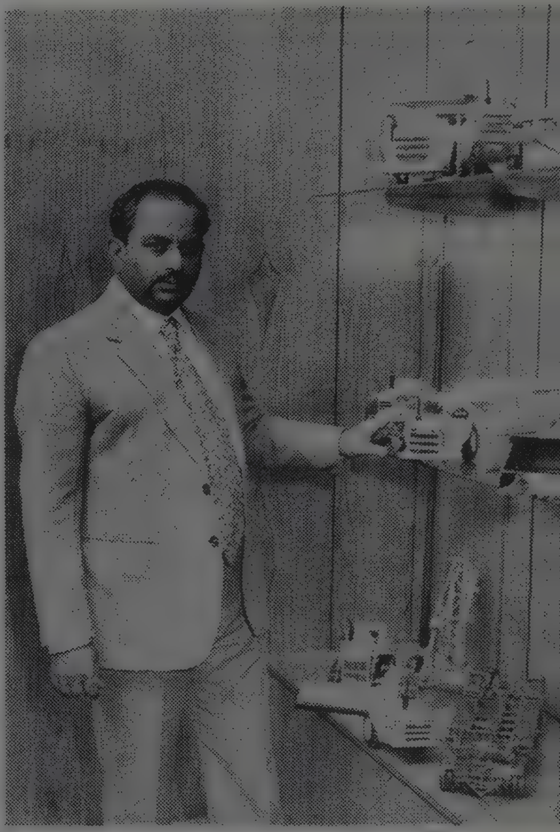
BEML's wide range of earthmoving equipment includes rear dump trucks of 25, 35, 50 and 85 tonnes; crawler dozers of 66, 90, 180, 320 and 410 hp; wheeled front-end loaders of 2 and 3.8 cu m capacity; track shovels of 1.3 and 2.3 cu m capacities; bottom dump trucks of 40 and 60 tonnes; water sprinklers of 28,000 litres capacity; hydraulic excavators of 1.2, 3.8 and 8.5 cu m capacities and heavy duty full and semi-trailers of 20, 30 and 50 tonne capacities and 20 and 40 ft container trailers. Notwithstanding competition from the private sector, BEML commands a 70% market share in the domestic earthmoving equipment market.

CLOSEST COMPETITOR

For all that, the sailing is not entirely smooth for BEML, observes director of production T.R.R. Rao (54), a mechanical engineering graduate of Madras University, who was earlier executive director of the Kolar complex and general manager, R&D. "Our closest competitor is Hindustan Motors, which has a 25% market share in the domestic earthmoving equipment market. It manufactures our entire product range but has fewer models in each product category. We have other competitors as well, both in the public and private sectors. For instance, Larsen & Toubro Ltd., TELCO Ltd. and Heavy Engineering Corporation Ltd. in excavators; Escorts Ltd in wheeled loaders and Jessops Ltd., which produces a limited range of bulldozers and motor graders. We have retained our dominant position in the market despite competition largely because we have a wider product range. But the going is bound to be tougher in the future as competitor companies add to their existing product ranges. The one company in particular that needs watching is Hindustan Motors."

The reason for this new found concern about growing competition is evident: Hindustan Motors, which has a long-standing collaboration with General Motors' Terex division in Scotland, has now tied up with Caterpillar, USA a byword in earthmoving equipment the world over, to manufacture the entire range of equipment that BEML currently offers. In addition, Hindustan Motors has stolen a march over BEML in another critical area, *viz*, the manufacture of heavy duty diesel engines. While BEML's application for permission to manufacture 2,400 diesel engines per annum in the 100-1,200 h range with Komatsu collaboration i still pending with the economic affair committee of the Union cabinet, Hindustan Motors has got the green signa to manufacture diesel engines, agai with Caterpillar collaboration.

Indeed, the fact that BEML ha hitherto not been permitted to manufacture diesel engines is a long-standin grouse of its managers. With the director general of trade and developmen frowning upon engine imports, BEM willy-nilly has to depend on Kirloska Cummins — the only manufacturer o engines in the country — for its requirement of 1,200 engines a year While large earthmoving equipmen manufacturers elsewhere manufacture their own engines, BEML has no choice but to modify Kirloskar engines to sui its varied equipment. That apart, the consumption of engine spares in an earthmoving equipment is heavy an therefore provides an additional source of income to engine manufacturer which BEML has had to forego.



Rao: stolen march

ADVANTAGEOUS POSITION

Says Rao, quoted earlier, "Hindustan Motors has definitely stolen a march on us by getting their captive engine collaboration agreement approved ahead of us. This definitely puts Hindustan Motors in a more advantageous position in that they can render integrated after sales service covering both he main equipment and the engine. Secondly, we cannot make money on ngine spares because we don't manufacture the engines. Finally, our customers have not been entirely happy with the Kirloskar Cummins engines fitted on some of our equipment. While we use the latest 'K' series of engines manufactured by Kirloskars, the introduction of several new models of earthmoving equipment in a short time has led to problems in engineering of the engines to suit specific requirements — and they show."

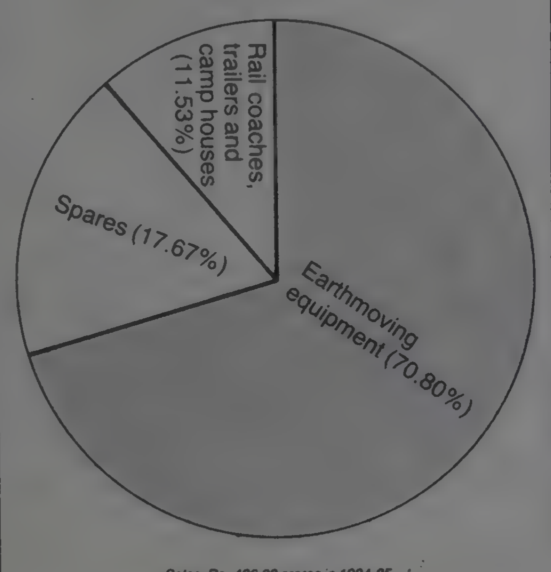
In wheeled loaders as well, Hindustan Motors has outpaced BEML in the marketplace. This is because BEML was tied down to manufacturing a lower capacity (2 cu m) loader — fit only for the army— for which it had entered into a technical collaboration with Radojedakic. By the time the collaboration agreement ended and BEML was able to introduce its own brand of higher capacity loaders, Hindustan Motors had captured the market with its single model.

The company's rail coach division at Bangalore is also beset with some painful headaches including a demand crunch. The division averages a production of 300 coaches per annum currently. In 1975-76, the productive capacity was raised from 300 to 400 coaches per year at an additional investment of about Rs.2 crores but without an increase in manpower, in anticipation of an expanded portfolio of orders from the Indian Railways. However, these orders didn't materialise. Consequently, the company commenced the manufacture of heavy duty transportation trailers to keep the additional capacity profitably occupied. And when orders for trailers slumped at one point, the rail coach division diversified into the manufacture of portable houses, of in-house design, for ONGC.

"We developed some 20-22 models of portable houses and sold over 300 units to ONGC. There was not much high technology involved; we took it up only because ONGC wanted us to. We found these portable houses occupying too much shopfloor space in the Bangalore division, which is designed for larger and more high-value equipment, and when we saw that public sector companies such as Balmer Lawrie were ready and willing to manufacture these houses, we decided to give up this line of business," says Rao. Thus, unutilised capacities continue to plague the division, and though the Seventh Plan outlay for the railways projected an increase of 142% over the Sixth Plan investment of Rs.5,100 crores, the prospects of a continuing demand crunch loom large.

BEML is currently negotiating with the Railway Board to manufacture airconditioned and first class coaches and electro-mechnical units to take up some of the slack, but the outcome of these discussions are as yet unknown. On the export front as well, the going has been rough. Comments director of marketing Lt. Colonel S.S. Sawhney (51), a civil engineering graduate of the Military Engineering College, Pune, who has worked for more than 16 years at BEML: "The broad gauge coaches we make in India are of a type in use only in the Indian sub-continent, Sri Lanka and some South American countries. We are at the moment trying to export some coaches to Sri Lanka, which has called recently for tenders from four to five countries for the supply of 175 coaches. The tenders are not finalised as yet."

BEML's product profile



Sales: Rs. 426.39 crores in 1984-85

LITTLE SCOPE

The limited export potential apart, there is little scope for design innovation in rail coaches since the design parameters are laid down by the Research Designs & Standards Organisation (RDSO), although to BEML's credit it has managed to persuade the RDSO to introduce a certain type of plywood flooring in coaches, developed in collaboration with the Indian Plywood Research Organisation, to replace the conventional and expensive teakwood flooring.

Fortunately, there are no constraints on the design of earthmoving equipment. In fact, the obsolescence rate in earthmoving equipment is so high that often survival is determined by how quickly and effectively a company can design, develop, manufacture and market a new product. In this respect, BEML has few peers in the earthmoving equipment sector within the country.

Ever since an R&D division was established in 1969-70, the company has manufactured and marketed a dozen new products of its own design which enabled it to maintain its lead in the earthmoving equipment and construction equipment market besides saving the company and the country scarce foreign exchange. The innovations include a 25 tonne rear dump truck; 2 and 3.8 cu m front wheel loaders; 40 and 60 tonne bottom dump trucks; 41 tonne pipe layers; 20, 30 and 50 tonne trailers and 20 and 40 ft container trailers; 100 hp aircraft towing tractors; track shovels of 1.3 and 2.3 cu m capacity; 28,000 litre capacity water sprinklers and portable camp houses.

Sawhney: export problems

Nor have the company's R&D efforts gone unnoticed: its 50 tonne trailer and track shovel of 2.3 cu m capacity have won national import substitution awards. The aircraft towing tractor is again another successful development of BEML, which Kirloskars and Escorts also attempted to develop but failed. The company has recently secured an order for 75 aircraft towing tractors valued at Rs.5 crores from the Indian Air Force besides an order for three units from the National Aluminium Co., which intends to use them to tow heavy equipment within the factory. The tractor is also being tried out

"We are market leaders by virtue of our performance alone"

N. Raghavan interviewed Bharat Earth Movers Ltd.'s (BEML) chairman and managing director M.B. Ajwani (54), at his office in Bangalore. Excerpts from the interview:

- **While BEML's financial performance particularly during the last five years has no doubt been remarkable, critics attribute this excellent record to the company's monopoly position within the earthmoving equipment industry derived by virtue of the fact that private sector companies are not in a position to make the large capital investments required for this line of business. What is your comment?**

We are not a monopoly at all. We have always had competitors. In the private sector, we have Hindustan Motors, Larsen & Toubro and TELCO. The latter two, admittedly, do not manufacture the same range of equipment as we do. In the public sector, we have Jessops which manufactures motor graders, and Heavy Engineering Corporation, our competitors in excavators. In the international market, BEML has to compete with the likes of Komatsu and Caterpillar. We are the market leaders in the domestic market today by virtue of our performance alone.

- **In terms of growth in sales revenue, BEML's record may be without blemish but the percentage of profit before tax to sales has come down from a high of 13% in 1981-82 to 8% in 1985-86. To what factors do you attribute this decline?**

The downward trend in the profit margin is due to a number of factors. For one, the exchange rate of the dollar and more recently, that of the yen has been consistently rising in relation to the rupee. This means that we have had to pay more for imported components. The prices of inputs in the domestic market have also gone up steeply. The price of steel, for instance, went up by 35% to 40% between June 1984 and February 1985. We can pass on these cost increases to the customer only up to a point. A reduction in profit margins in inevitable in such a context.

- **Hindustan Motors, BEML's closest rival, has tied up with the renowned US company, Caterpillar, to manufacture the entire range of earthmoving equipment that you now offer. Further Hindustan Motors has been awarded a licence to manufacture a range of Caterpillar's specialised diesel engines while your proposal to manufacture engines in-house with Komatsu knowhow is still to be cleared by the Union government. How will this affect BEML's market performance?**

The fact that Hindustan Motors has tied up with Caterpillar does not really bother us. In fact, we welcome the development because competition will spur us on to improve the quality of our products and after sales service. As far as engines are concerned, we would like to make our own as do all large earthmoving equipment manufacturers the world over.

General purpose diesel engines are not necessarily suitable for earthmoving equipment. We have found that Kirloskar Cummins engines which we presently use in our equipment are not suitable for certain applications. Their performance has not been satisfactory. If the manufacturer makes some improvements then perhaps we will have fewer headaches on this score.

But if we are allowed to make engines in-house, the performance of our equipment will definitely improve and sales of engines spares will also add to our sales turnover. Our application for a licence to manufacture engines is still to be cleared by the Union government.

- **BEML plans to increase exports, both physical and deemed, from Rs.20 crores in 1985-86 to Rs.60 crores by 1989-90. But the fact remains that physical exports have generally been made at prices which are lower than the cost of production and the profit margin on deemed exports is negligible. What is your comment?**

Direct or physical exports are not made at below cost of production prices at present. I agree that profit margins on exports, both direct and deemed, are low but then profit is not only the only consideration. The basic objective of exports is to earn foreign exchange and widen the market base for our products. Exports also help update our technology and improve quality. Even if the direct export of finished equipment is not profitable in the first instance, we are at least assured of a steady and profitable business in spares thereafter.

- **BEML claims to lay great emphasis on R&D and indigenisation. How well have your products which have been developed in-house fared in the market and overall, what percentage of indigenisation have you been able to achieve so far?**

We have so far designed, developed and marketed 12 products. Among the successful ones, from the marketing point of view, I would include aircraft towing tractors, front-end loaders, track shovels, water sprinklers, pipe layers and bottom discharge dump trucks. The percentage of indigenisation varies from 40%-50% in some cases to 100% in others. The average is around 80%. We would like to increase the average level of indigenisation to 90%.

When a new product is manufactured with foreign technical collaboration, the indigenous content in such a product cannot be high. Last year, for instance, we introduced three new products, all of which were manufactured with Japanese collaboration. This year again we will be introducing five new products into the market, two of which will be produced with Japanese knowhow. The indigenous content of these newly introduced products will average only 20%.

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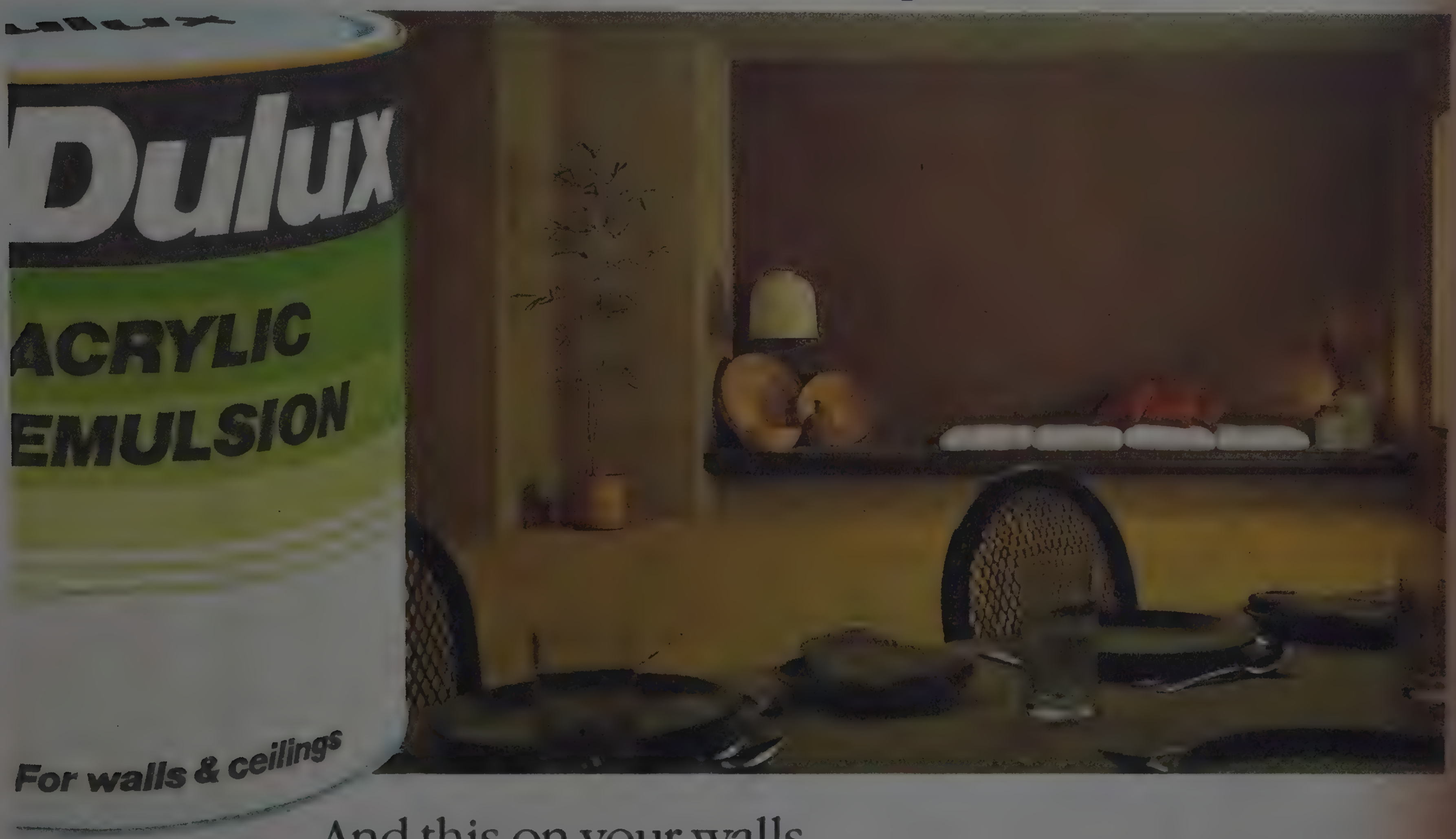

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According to Rao, prototypes of a 4.5 cu m capacity front-end loader and a 3.5 cu m capacity track shovel, developed in-house, are ready for customer evaluation. This apart, a 60 tonne pipe layer has been developed and the prime mover for the 60 tonne trailer, currently being imported from Czechoslovakia and USSR, is undergoing final trials by the army which is the main user of such vehicles. The prime movers, says Rao, will be manufactured by the Bangalore division.

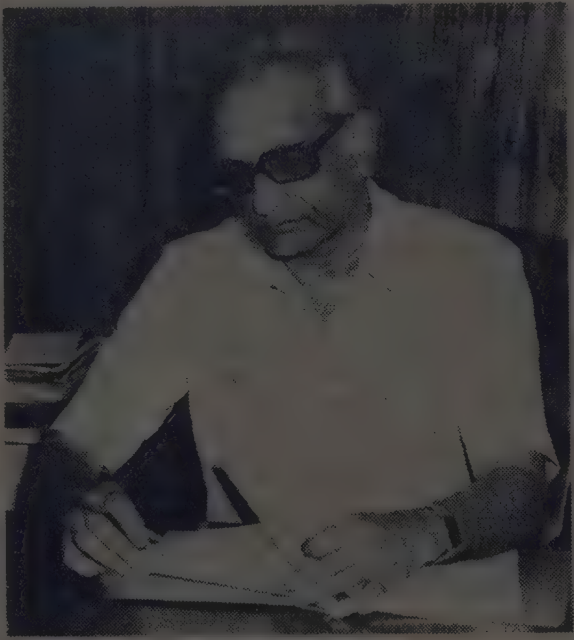
LARGEST ESTABLISHMENT

Apart from developing new products and components, BEML has been able to achieve an overall indigenisation level of 75%-80% by value in earthmoving equipment, and 100% in rail coaches. The R&D expenditure, aggregating 2.5% (or roughly Rs.10 crores) of the company's turnover is projected to increase to 5% in the next five years. A Rs.20 crore centralised R&D establishment, comprising 12 modern laboratories in different disciplines, is taking shape near the Kolar complex; of the 12 labs, one for research on fluid power, has already been commissioned. When complete, the R&D establishment will be the largest of its kind in India and second only to Japan's Komatsu in Asia.

Yet, while product innovation has played a major role in ensuring a market leadership position for BEML, quality control, effective sales and after sales service have been equally important factors in keeping BEML ahead in the rat race, says Sawhney, quoted earlier, who takes pains to emphasise that the company enjoys no special advantage by virtue of being in the public sector, even when it comes to sales to other government-owned companies.

"We operate in an environment which is similar to that of any private sector organisation," adds Sawhney. Which explains why the company employs upwards of 1,560 personnel in its marketing division which operates through a far-flung network of six regional offices, 14 district offices and 66 service centres. And since sales are dependent on the performance of the company's products, quality control tests — right from the development and production stages of individual components to field trials of finished products — are particularly rigorous. Efforts are being made to implement a more thorough quality education programme at four levels — artisans, floor supervisors, executives and vendors.

While quality control and a fairly successful sales strategy have no doubt helped BEML raise its sales turnover from a modest Rs.5 crores in 1965-66 to over Rs.480 crores in 1985-86, it is arguable that rapid growth in the short term has been achieved at the cost of long term profitability. The ratio of profit before tax to sales for instance, has declined from 13% in 1981-82, to 10% in 1983-84 to a lowly 8% in 1985-86. The gross profit to total assets ratio — which measures how productively the capital employed is used — has also declined to 13.06% in 1985-86 from a high of 20.4% in 1982-83. The return on net worth has similarly plunged to 14.9% in 1985-86 from 19.6% in 1982-83.



Sarma: inventories burden

According to director of finance V.P. Sarma (53), a mathematics postgraduate of Andhra University and a qualified cost accountant, who officiated as chairman and managing director of BEML for nearly a year in 1980, the profit margins were higher in the period 1981-82, i.e. in the wake of an extended strike in 1980-81, because a heavy backlog of orders propelled the company to manufacture and sell more.

"But subsequently, both the working capital and the interest burden have gone up considerably thereby reducing profit margins. This has happened because our customers, particularly in the coal sector, are in the habit of placing the bulk of their orders in the last quarter of the fiscal year. This means that we have to carry heavy inventories of finished goods for the greater part of the year. We are trying to overcome this problem by persuading our customers to place orders well in advance; deferring the purchase of costly components such as engines and tyres till the last minute and improving sundry debtors' collection. We can however do nothing about the rising cost of components imported from our Japanese collaborator, since the rupee value of the yen has been steadily appreciating," says Sarma.

A declining rate of profitability on domestic sales of earthmoving equipment apart, BEML's exports also have not been encouraging. Ajwani admits as much but maintains that the company's exports are aimed more at gaining a foothold in the overseas markets, improving quality through international competition and earning foreign exchange. Since it entered the export market in 1969, BEML has sold equipment and spares aggregating Rs.55 crores, mostly to countries in Africa, West Asia and South-east Asia. Last year, agreements were signed for the sale of equipment valued at Rs.7.75 crores to Bulgaria and Rs.2.2 crores to Jordan.

These caveats notwithstanding, expert opinion is undivided that BEML's profitability record is without comparison in the heavy equipment manufacturing industry both within this country and overseas as well. Yet, those who are familiar with the history of the company will recall that there was a time when its performance was far from being spectacular.

RECENT PHENOMENON

Indeed, BEML's transformation into a star performer in the public sector is a relatively recent phenomenon dating to the early eighties. Company managers attribute this transformation to tight control over manpower accretion — the employee strength has increased from 3,400 to slightly over 14,500 over the last 21 years — and to the introduction of a system of productivity linked incentives. This latter measure in particular, enacted in the wake of a protracted strike in 1980-81 in lieu of overtime payments, has proved to be of major import for the company — the value of output per employee has risen from a modest Rs.0.13 lakhs to a phenomenal Rs.3.39 lakhs, which performance few even in the private sector can match.

Quite obviously, the incentive system has worked only because the quantum of incentives has been generous — an average shopfloor worker currently earns Rs.350-400 per month and clerical workers Rs.200-250 per month over and above their salaries.

One other singular feature in BEML, observes director of personnel N.P. Manjunatha (52), a commerce graduate of Mysore University and a law graduate of Bangalore University, is that there is only one union in each factory and, more important, the union by-laws prohibit any outsider from assuming leadership. Management-worker relations have been maintained on an even keel as a consequence, which is not to say that workers have no grievances at all.

In fact, M. Sundaram (46), president of the Bangalore division's employees association, articulates a set of demands which he claims reflect some of the more pressing problems of the workers: exclusive bus facility for the Bangalore factory employees to replace the present system of sharing accommodation in HAL buses; company housing; in-patient medical facilities and automatic employment for wards of retiring workers.

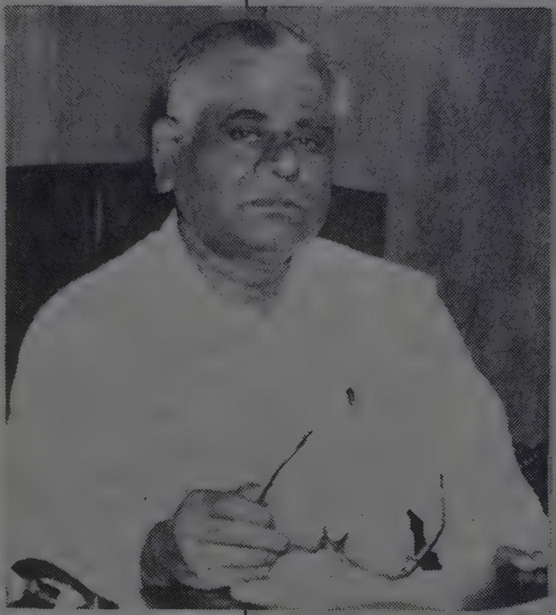
Manjunatha explains the management's viewpoint on these issues: "There is no question of introducing buses for the Bangalore employees since the present arrangement with HAL, which has surplus accommodation in its bus fleet, is working well enough. As for medical facilities, we have begun construction work on a new hospital which will to start with have only out-patient facilities. We may subsequently expand it to include in-patient wards. We have also purchased some 138 acres of land at a cost of Rs.40 crores in order to build about 100 residential houses, mainly for essential staff. We will construct more houses only if there is sufficient demand. Negotiations are underway with worker representatives to introduce a time-bound promotion plan but, so far as automatic recruitment of the wards of retired employees is concerned, we just cannot accede to the demand since that would mean ushering in a kind of hereditary system. But we do give priority when filling up vacancies to wards of employees who die in service or whose employment is terminated on medical grounds."

HIGH MORALE

But notwithstanding these grievances, Manjunatha emphasises that employee morale is high within BEML, at least in part because the difference between officers and workers in terms of pay and benefits is not all that wide: the ratio of pre-tax salary between worker and officer is 1:3.5 whereas, he says, ideally it should be 1:6. This apparently has not affected the officers' morale either for, as one executive put it, what is lost by way of pay and perks is more than compensated by the congenial work atmosphere.

Free exchange of information and ideas is encouraged; various in-house and external training programmes, seminars and conferences for the managerial staff also help them to keep abreast of new trends and developments. Ajwani makes it a point to keep in regular touch with various sections of the employees and meets with his directors every alternate day to keep a tab on progress, which not only makes for quick decisions but decisions by consensus.

With the Union defence ministry now inclined to purchase more equipment from BEML, the company is poised for rapid expansion and modernisation of its plants. A new Rs.30 crore factory is taking shape at Kolar to manufacture sub-systems for infantry combat vehicles, tanks and heavy duty trucks. BEML also plans to eventually manufacture a main battle tank for the army, for which it has already developed prototypes of a hull, turret, suspension and transmission. The factory is expected to go into production next year. At the Bangalore complex, the manufacture of 335 hp trucks for the army, for which the company has recently entered into a collaboration with a Czech enterprise called Omnipol, will commence from December this year, initially at the rate of 250 trucks per annum.



'But notwithstanding these grievances, Manjunatha (left) emphasises that employee morale is high within BEML, at least in part because the difference between officers and workers in terms of pay and benefits is not all that wide: the ratio of pre-tax salary between worker and officer is 1:3.5 whereas ideally it should be 1:6.'

And, as mentioned earlier, BEML is already executing an order for aircraft towing tractors for the IAF. BEML is also planning to widen the range of its equipment to suit the specific needs of its major customer, the coal sector. This year, it has entered into an agreement with Komatsu to manufacture wheeled loaders of capacities ranging from 1.2 cu m to 10.5 cu m and has also tied up with WABCO to manufacture rear dump trucks of 120 and 170 tonne capacities. In addition, Dresser Industries Corporation, USA, has agreed to provide BEML technical knowhow to manufacture surface mining equipment such as electrical rope shovels, blast-hole drills and walking drag lines. These are slated for production in 1986-87.

LUCRATIVE MARKET

BEML also proposes to enter the lucrative market for underground mining equipment shortly. In the next five years, the company will be investing Rs.250 crores, half of it from its own internal resources; of this, nearly Rs.200 crores will be spent on revamping shopfloor facilities by replacing conventional machine tools with NC and CNC machines and introducing robots for use in selected areas such as welding, painting and gas cutting. Larger and more powerful computers are being installed for inter-linking production units, marketing divisions and corporate offices with the company's regional offices, to enable greater control over operations and quicker communication.

Thus, from a leisurely crawl BEML has at long last moved into the fast lane. And while domestic competition is hotting up and the threat of dumping by hard-pressed multinational earth-moving equipment manufacturers looms large on the horizon, increasing stress on quality, cost control, R&D and a motivated and cohesive workforce may well see the company cruise towards the ambitious target it has set for itself: a sales turnover of Rs.1,000 crores by 1989-90.

In the final analysis however, it is BEML's role of providing a model for other less efficient public sector undertakings to emulate that is likely to be regarded as its major contribution to the national development effort. BW

LETTER FROM GENEVA **ANTHONY MORETON**

The institutionalisation of the MFA

At 11.30 am on 1st August, a group of very tired delegates emerged with a collective sigh of relief from the main convention hall of the General Agreement on Tariffs & Trade (GATT) headquarters in Geneva. For the previous 26 hours they had struggled almost continuously to produce the final agreement on an extension to the Multi-Fibre Arrangement (MFA), the world accord that governs a large part of trade in textiles and clothing and which is operated under the wing of GATT.

Most of them—delegates from 42 countries and the European Commission—had started their talks 10 days earlier with high hopes that the extension to MFA, known as MFA 4, would be more liberal than its predecessor, allowing the poorer countries of the Far East and Latin America greater access to western markets. They ended with an agreement that was, in the words of Hamish MacLeod, Hong Kong's highly respected director of trade, "broadly neutral." Even British industry which had been urging stronger safeguards from cheap competition, gave it a "cautious welcome."

Tightened screw. The new MFA made no attempt to go back to the high hopes expressed when the arrangement was first introduced in 1974, of allowing the low-cost producers to increase their exports to the West by 6% a year. Successive extensions to the MFA in 1978 (MFA 2) and 1982 (MFA 3) had tightened the screw on producers such as Hong Kong, South Korea, the Philippines, India, Pakistan, Brazil, Thailand and Indonesia by virtually abandoning the open growth target. MFA 4 on the other hand, offers a small carrot to the very poorest countries such as Haiti, Bangladesh and the Maldives and to those cotton-producing countries such as Uganda, whose exports produce a significant proportion of their total trade. They will be allowed a slightly higher level of growth than the big producers.

In the event, the producers meekly accepted MFA 4, a complete about-turn by them and a grievous blow to GATT. They did so because industrialists in the producer countries, who like the MFA, put pressure on their governments to keep it. Manufacturers get quotas out of the MFA to produce a certain number of garments. South Korea, for instance, may be given a quota of 100,000 pairs of trousers, or 200,000 shirts to sell to Germany and other quotas of varying amounts for each importing country. These quotas are then allocated among individual manufacturers.

The MFA has now become institutionalised. Instead of withering away, as originally hoped, there is a strong chance it will live to a ripe old age.

The second issue to emerge in Geneva concerns the growing feeling that the MFA in future should concentrate on clothes and not be concerned with textiles. The textile side of the business concerns production of the fibre and yarn and their manufacture into fabric. Textile production, whether in Seoul or Frankfurt, is capital-intensive. The East tends to concentrate on long runs of cheap commodity fibres suitable for conversion into cheap clothes and shoes, anoraks selling for £9.99 (Rs. 184.80) and flip-flops for £1.99 (Rs. 36.80).

Faced by this almost unbeatable competition, the West has concentrated on sophisticated fibres suitable for expensive clothes and new areas such as the defence industries, road construction, tyres or tennis racket frames.

It was therefore argued that textile production should be removed from the MFA since what the East made was not really a threat to the West.

Highly vulnerable. The problem, though, is the US. With some exceptions such as Du Pont, the US has not re-fashioned its industry in the same way as Europe; it continues to produce vast quantities of cheap fibres which are highly vulnerable to competition from South Korea, Taiwan and Japan. It therefore alienated many, if not most, of the delegates in Geneva by its opposition to any moves in the direction of phasing out textiles from the MFA.

If the distortions to trade are to be eliminated, and if the MFA is to go to an early grave, subsumed within a wider GATT round, then it is on America that attention must now largely focus. Europe has made the necessary changes. The US has not, as Geneva proved.

COMMODITIES

Cotton pickin' politics

Even as another international cotton season draws to a close on 31st August, the major producers of this white and downy natural fibre are wrestling with the problems of plenty. China, India and Pakistan have each had extraordinarily good crops for the second year in succession. Despite world cotton consumption having peaked at an estimated all-time high of 71 million bales (a bale weighs 170 kg) in the 'cotton year' 1985-86, a staggering global surplus of 55 million bales is stockpiled with the grower nations.

In India, the season ended on 31st August began last September with a carryover stock of 2.44 million bales. Owing to a record crop estimated at 11 million bales in 1985-86 (*cf.* 10.7 million in the previous year) and stagnant exports, the volume of stocks carried over will remain unchanged at the start of the new season, notwithstanding increased domestic consumption of 9.2 million bales (*cf.* 8.7 million in 1984-85).

In Pakistan (1985-86 production: 7.1 million bales, domestic consumption: 3 million), the taxpayer and the textile industry are footing the bill for the honour of that country outstripping India as the world's *numero uno* exporter of cotton with its export tally of 3.86 million bales. And with China (estimated 1984-85 crop: 27 million bales) too emerging as a net exporter of cotton during the last season, the woes of traditional grower and exporter nations such as Pakistan and India have been compounded in recent times.

Price crash. Adding fuel to the fire, as it were, cotton prices have crashed to levels not witnessed in recent times. The decline has been both speedy and spectacular: from 83.1 (US) cents per lb (1st January 1984) to 63.25 cents a year, later to 51.15 cents on 1st July 1985 to an even lower 41.4 cents on 1st January this year. During the month of August, the average price is expected to nosedive to a nadir of 25 cents. The reason: the US has begun offloading its enormous stock of 10 million bales (one US bale equals 218 kg) in the world market with effect from 1st August at the throwaway price of 25 cents per lb—a fallout of the passage of a new farm bill subsidising farmers in that country.

Pakistan, which does not enjoy India's advantage of a reasonably large home consumption base, is likely to be hit the hardest by these developments. As it is, Pakistan's cotton export boom during 1985-86 cost the nation an estimated PRs. 220 crores (Rs. 171.6 crores) thanks mostly to the price difference at which the commodity was purchased from growers and at which it was sold (at a loss) in the world market. According to S.M. Usman, secretary general of the All-Pakistan Textile Mills Association (APTMA) quoted in the *Far Eastern Economic Review* (7th August), losses on account of cotton exports might escalate to PRs. 800 crores due to the continuing fall in world prices through 1986-87 and the maintenance of floor price to farmers at which the Pakistani government buys cotton.

"Isn't it rather difficult to believe?"

In addition the Pakistan Cotton Export Corporation's all-out efforts to sell abroad at cut-rate prices has boomeranged on that country's textile industry. The industry's representatives claim that while US and Pakistani cotton are available cheaper to its overseas competitors, it is handicappped by having to pay 6-15 cents more per lb for no fault of its own. Not unjustifiably, it has asked the government to reduce the domestic price at which cotton is sold. Thus far, the Pakistani government has not responded to this demand.

But some trends noted by textile industry monitors are feared to be even more damaging to Pakistan's interests. Thus APTMA chairman Mian Mohammed Mansha is quoted by the *Review* as saying that idle spinning capacity in the European Economic Community and elsewhere is being revived to process cheap US cotton. "Hong Kong and Taiwan between themselves are putting up 400,000 more spindles, the latest and the most modern, which will spin out Pakistan from the yarn market," he predicts darkly. And it is indeed an ominous portent that Hong Kong, hitherto a regular buyer of Pakistan's yarn, is now buying Pakistani raw cotton instead—a backward shift from a value added product to a raw material.

Bright future. Paradoxically, the overall global future of king cotton is decidedly bright. A study conducted last year by the Washington-based International Cotton Advisory Committee—an association of governments to monitor the world cotton demand-supply situation—observed that "intense competition from synthetic fabrics has not stopped cotton's growth in popularity in industrialised countries." This, in turn, has boosted the growth chances of the cotton textile industry in developing nations such as Egypt, Syria, Greece and Colombia, noted the committee. "World cotton consumption has grown at an average annual rate of about 1 million bales in the early eighties and indications are for a continuation of this trend," notes the committee's report.

India's own long term cotton strategy is based on these prognostications. Against the backdrop of a sea change in the domestic cotton scenario from one of chronic shortages to one of large surpluses, and given the downturn in cotton prices over the last couple of years, the government is about to remove the 20 year old ban on forward trading in cotton. The latest thinking in New Delhi is that forward trading—hitherto synonymous with profiteering and speculation—is an "effective insurance" against unhealthy price fluctuations and will enable traders to make long term commitments. Exporters, in particular, are expected to enthusiastically take up hedging deals and reap benefits from the re-introduction of cotton futures trading scheduled to coincide with the Diwali festival in early November.

True, cotton is unlikely to be a hot commodity in the near future. But the indications are that—unlike jute—it is not a sunset industry either. As the re-emerging preference for cotton clothing in the West indicates, the reign of king cotton is by no means over.

Sujoy Gupta

OPEC

Lesson of recent history

If the worldwide applause for the unexpected denouncement of the oil talks in Geneva were not so discreet, it would be deafening. The Organisation of Petroleum Exporting Countries' (OPEC) perhaps fragile agreement to cut its oil production by 3.5 million barrels a day (b/d) to 16.8 million b/d will help many powerful men to sleep easier—from the chairman of Exxon to the vice-president of the US, and not excluding Nigel Lawson, Britain's chancellor.

With so many silent blessings and such inexorable commercial logic on their side, it is only surprising that the 13 members of the most powerful cartel in economic history failed to get their act together earlier. The fact that they continued to argue fruitlessly while the oil price halved and then halved again, immediately raises the questions: "Will it last?" and perhaps even more important: "What does it mean for oil prices?"

The first is almost literally a $64 billion (Rs. 76,800 crores) question for OPEC. At $12 per barrel the group's export earnings would be running at an annual rate of about $70 billion a year compared with $134 billion (Rs. 1,60,800 crores) in 1985. At prices down to recent levels of $7-$8 per barrel, OPEC earnings are only about a third of their average over the past three years.

Fundamental fact. This is a measure of the incentive that the OPEC countries have to stick to their agreement and to avoid re-running the history of the past few years when one country after another started to cheat by producing a little bit more and then a little more still than the official quotas laid down by the organisation. Yet the fundamental fact about cartels is that the more successful they are, the greater is the incentive for members to cheat and for non-members to undermine the agreement by bringing more production on stream. To counter this tendency, Saudi Arabia and its main ally Kuwait will have to use great skill and judgement in the coming months.

In the first place, the oil price must be maintained at a level which is high enough to reinforce the lesson that discipline benefits all. On the other hand it must not go so high that it provokes another round of cheating, revives the momentum of oil exploration outside OPEC or gears up energy conservation programmes again. The price which will balance these opposing forces is seen by the 'moderate' faction in OPEC to be about $18, although the 'fundamentalist' group (Iran, Iraq and Libya) have hankered nostalgically for the old price levels of around $28 per barrel.

It was almost exactly a year ago that Saudi Arabia started the downward spiral in oil prices by formally abandoning its role as the 'swing producer' for OPEC, supplying only enough oil to meet the world's residual demand. As a result of the widespread cheating by OPEC members, Saudi production had fallen to only 2 million b/d, less than half its production quota and perhaps only a quarter of its capacity to supply.

Winners & losers in the OPEC price war

Revenue in billion dollars

	1st half 1985 (average $28/barrel)	1st half 1986 (average $ 4/barrel)	Difference (%)
Saudi Arabia	11.7	8.9	–24
Iran	8.2	3.3	–59
Iraq	5.1	5.6	–30
Kuwait	3.1	2.8	– 8
UAE	5.1	3.3	–35
Nigeria	6.6	3.3	–50
Libya	5.1	2.3	–55
Venezuela	5.6	2.8	–50
Indonesia	3.5	2.0	–43

Source: Financial Times, London, 6th August 1986

At this point, the Saudi rulers made an abrupt change of policy, deciding to maintain production at 4-5 million b/d whatever the consequences for the price, and if necessary to go above that limit. Its strategy has been to lower the price to a little under $20 per barrel to discourage exploration and substitution and therefore to safeguard its own future markets.

When other OPEC members refused to go along with this change of tactic, Saudi Arabia decided in effect to push the price down until they all learned sense. Saudi Arabia and Kuwait's recent tactic of turning on the oil taps and flooding world markets with cheap crude has been an obvious preliminary to forcing through the moderate plan. In the last week of July as the Geneva meeting seemed destined to collapse in familiar disarray, $18 must have appeared a highly desirable, even unattainable price.

For Iran, desperately short of arms and other supplies in its six year war with Iraq, with recent military successes to its credit and a renewed sense that total victory is within its grasp, $18 looked at least twice as good as $9.

Stumbling block. Its production, like that of its bitter enemy, is already at the maximum possible in the exigencies of war, yet it is producing rather less oil than allowed under the 2.3 million b/d quota set out under OPEC's October 1984 agreement. So Iran's decision in early August to allow Iraq to go on producing as much as it can—Iraq's refusal to consider restraint had been a stumbling block to a new OPEC agreement—may therefore be seen as essentially a military calculation. In the short term Iran's need for cash is greater than that of its enemy, which has powerful friends in the form of Saudi Arabia and Kuwait which have provided substantial finance for the war.

But Iran can hardly have expected on the night of 3rd August that Saudi Arabia would put its name to this unsavoury calculation. On the surface, Saudi Arabia appeared to execute a *volte face* in its negotiating position. After steadfastly opposing any deal which was not unanimous, the kingdom suddenly accepted the exclusion of Iran from the restraint pact. In fact, the compromise proposed by Iran fell in with Riyadh's grand strategy of forcing down the price until the more recalcitrant members of the cartel saw the sense of restoring discipline. This has been the kingdom's strategy since last August when Saudi Arabia first began to boost its market share through 'neck-back' deals in which the price of crude is related to the price of refined products, with a guaranteed margin for refiners.

Now, having obtained agreement, Saudi Arabia has an important sanction over its fellow members in the form of the huge volume of oil which it has built up in tankers round the world, waiting to be spilled on to the spot market at the first sign of indiscipline from fellow members. This has been built up as a result of a surge of production by Saudi Arabia and Kuwait in the run up to the latest OPEC meeting. In July their combined production of about 7.3 million b/d was almost 80% more than their average for 1985. This excess production has helped to push recent OPEC production to the quite unsustainable level of more than 20 million b/d, at least 3 million b/d more than is needed to keep world supply in balance with demand.

The lesson which Saudi Arabia has read to the fractious and often noisy members of the cartel is that it can match their excess production two or three-fold if necessary, that it and Kuwait can afford the consequences of lower prices better than any other OPEC producers, and that if necessary, it will do so again.

Modest sacrifice. As the price plunged from $18-$20 in the early part of the year to below $10 in recent weeks, it became more and more obvious that only a relatively modest sacrifice of output by OPEC could potentially yield all members a rapid recovery in revenues. The exercise has also proved that in the short run, the price has relatively little effect on the amount of oil consumed or produced.

One reason is that major irreversible investments have been made in energy saving and in switching from oil to other energy sources, for example nuclear energy and coal. But there are other more political reasons. The UK for example has the capacity to burn perhaps 600,000 b/d of oil in its power stations. At recent prices this would have made economic sense, producing much cheaper electricity than from coal. In terms of the global supply and demand balance, this would have been the same as a 25% cut in Britain's North Sea oil production, more than OPEC could ever have hoped would be conceded.

But while loudly proclaiming their belief in a free market for oil, British ministers refused to follow the logic of the marketplace when it threatened a coal industry based upon prices hopelessly above the world average. In the US, vice-president Bush also suggested, when the oil price first touched $10 in April, that the administration might well be forced to take measures to protect its own oil industry—perhaps by an import tax—if the price remained depressed.

The recent dosage of very low oil prices has also proved that oil companies are extremely reluctant to shut down existing wells even when operating profits have fallen to near the vanishing point. Even in parts of the North Sea and Alaska where costs in some fields must be close to $7 per barrel, oil companies have shied away from the human and financial costs of shutting down production.

Steady supply. As a consequence, the supply of oil from outside OPEC has remained remarkably steady at about 28 million b/d, while total world demand for oil has shown only a very gentle recovery. The Paris-based International Energy Agency has said this will amount to a little under 3% this year. Total free world oil consumption this year is likely to remain 10%-11% below its level in 1979.

It has become obvious, therefore, even in the highly charged political atmosphere of recent OPEC conferences, that a price war in pursuit of market shares is one which the group as a whole could not possibly win. As the chart shows, the losses have not been evenly distributed. For Kuwait and Saudi Arabia, the price fall has been ameliorated to a considerable extent by rises in output.

Although oil prices had about halved between the two periods, Kuwait managed almost to maintain its revenues by a near doubling of production. The main loser, among the larger OPEC producers, was Iran whose production was disrupted by war as the price fell. Its oil revenues in the first half of this year were less than half what they had been in the same period a year earlier. Iraq on the other hand had managed to boost output by an average of 400,000 b/d. This helps to explain the extreme bitterness between the rival factions of relative 'haves' and 'have-nots.'

A production cutting agreement which raised the price to, say $18, will do nothing to soften these rivalries and tensions. One of the key questions about OPEC's latest agreement therefore is how it will be policed, or monitored, as OPEC prefers to say. Past efforts to keep track of the production of these diverse and mostly authoritarian states have not had a happy outcome, as falsification of records is not difficult. The latest proposal for an operation to monitor the early August agreement within OPEC itself cannot hope to succeed unless all the major producers are prepared to abide more or less by the rules.

Saudi Arabia's Yamani: policing question

The question remains whether OPEC will receive any help from the rest of the world. Most non-OPEC producers including the UK, and the US, whatever they say in public, earnestly desire an oil price which is higher than recently depressed levels. The hope that low oil prices would stimulate the world economy has been largely disappointing so far. What remains, therefore, is lower revenues for producers, and a major disruption of the free world oil industry. Even consuming nations like Japan and West Germany have been anxious about renewed threats of a debt crisis in Mexico and elsewhere, as well as the longer term worries about the West's security of supply of oil.

Savage cuts. The events of early August must have reinforced these last anxieties, for they have shown beyond doubt that OPEC will force the oil price up rapidly whenever it has the power to do so. Low oil prices have already caused savage cuts in exploration which will hasten the day when the West will once again depend heavily on Gulf crude. So if all the industrial nations were allowed to vote for an oil price, it might prove that Saudi Arabia's preferred figure of about $18 per barrel would turn out to be the consensus.

That does not mean that they will assist OPEC in reaching this goal. Any oil company will buy cheap crude if it is offered on the spot market. Norway, Mexico and other non-OPEC producers may decide to make a few political gestures towards OPEC. But their hard-headed calculation must be that production cuts would be futile if OPEC cannot keep its own cattle in the pen, and unnecessary if it can.

Max Wilkinson
(By special arrangement with the Financial Times, London)

MALAYSIA

Mahathir's dubious triumph

The gamble paid off for prime minister Datuk Seri Mahathir Mohamad. Despite his initial reluctance to call an election, the 13 party National Front coalition was returned to power in early August with a thumping 148 out of 177 seats—retaining its two-thirds majority in parliament despite pre-election predictions of a far closer fight.

More crucially for him, as president of the dominant United Malays National Organisation (Umno), the coalition's victory, and particularly Umno's own delivery of the Malay votes against attempted incursions by the opposition Parti Islam (Pas), virtually ensures Mahathir's own survival in the real election for the country's leadership—the Umno party election next year. For Umno performed better than even its own members expected, winning 83 out of the 84 parliamentary and 228 out of the 240 state seats it contested, thereby immediately strengthening its already strong hold over the coalition. Mahathir himself won his Kubang Pasu seat by a comfortable 15,298 vote margin, just 500 less than in 1982.

In Johor, Mahathir's rival and former deputy, Datuk Musa Hitam, scored the second highest votes in the country, earning him a 30,633 vote margin over his Pas opponent and his supporters—a psychological point over Mahathir's own majority. True to his promise, Musa delivered all 18 parliamentary seats and 35 out of 36 state seats to the National Front, a near 100% performance which stabilised his position for next year's Umno election, should he decide to oppose Mahathir.

Dangerous trends. With what appears—on the surface at least—to be a decisive

Punjab Anand
Lamp Industries Ltd.

Regd. Office: Industrial Focal Point,
Phase IX, SAS Nagar (Mohali) Pb.

PHILIPS

A Joint Venture with N.V. Philips, Holland

SPEECH OF MR A S CHATHA, CHAIRMAN, AT THE 2ND ANNUAL GENERAL MEETING OF THE COMPANY HELD ON 26TH AUGUST, 1986.

Dear Shareholders,

It is my pleasant privilege to welcome you to the 2nd Annual General Meeting of your Company. I extend a warm welcome to this large family of about 30,000 members throughout the country and abroad, who have become shareholders of the Company after the public issue of shares during the period under review.

Your Company, as you are aware, has been promoted by the Punjab State Industrial Development Corporation Limited (PSIDC) in joint collaboration with Punjab Anand Batteries Ltd and Messrs NV Philips' Gloeilampenfabrieken, Eindhoven, the Netherlands, for implementing the biggest lamp manufacturing unit in the country, with a licensed capacity of 55 million GLS lamps and 10 million fluorescent tubelights per annum.

The Directors' Report and the audited Accounts of the Company for the period ended 31st May, 1986, have been in your hands for some time, and with your permission, I take them as read.

PROJECT IMPLEMENTATION

The foundation stone of your Company was laid, as you are aware, on 9th March, 1984. Inspite of the very difficult conditions prevailing in Punjab at that time, the construction of building and infrastructural facilities to receive the imported plant and machinery progressed at a very fast pace.

In the first phase of the project, your Company has implemented licensed capacity to the extent of 23 million GLS lamps and 5.8 million fluorescent tubelights per annum.

As is common in projects of the magnitude undertaken by your Company, your plant faced a number of teething problems since its commissioning, which, by and large, have been overcome with the full technical support of your foreign collaborators and committed devotion and hard work by all levels of employees of your Company.

The first phase of your Company's project has now been fully implemented and commercial operations commenced. From the Audited Accounts of the Company, which are already in your hands, you must have noticed that the first phase of the project has been completed without any cost overrun.

PERFORMANCE AND PROSPECTS

After overcoming the initial problems, your Company is now well set for stable production of fluorescent tubelights and GLS lamps. The operations are showing steady improvement on month-to-month basis and the present level of operations is generating cash surplus. During the current financial year ending 31st May, 1987, your Company is expected to produce about 4.5 million fluorescent tubelights and 18 million GLS lamps, resulting in a sales turnover of about Rs. 16 crores.

Your Company continues to get full support from the foreign collaborators, Messrs NV Philips' Gloeilampenfabrieken, and is confident that profits of the current financial year will be adequate to wipe out the initial losses.

Your Company's products have been well-accepted by the customers, and there is no marketing constraint at present.

EXPANSION PROGRAMME

In view of the steady demand of your Company's products, in particular of fluorescent tubelights - slim lined TLD lamps, your Company has undertaken expansion programme to double its existing fluorescent tubelight manufacturing capacity. The All-India Financial Institutions have appraised the expansion programme of your Company and have approved, in principle, the cost of the project as Rs. 1100 lacs, which is to be financed by issue of equity shares on rights basis to the extent of Rs. 400 lacs, long term borrowings from financial institutions to the extent of Rs. 670 lacs, and internal accruals to the extent of Rs. 30 lacs. Your Company counts on your active support to make the rights issue a success. Your Company is confident that it can implement the proposed expansion programme to make it fully operational towards the end of the current financial year, i.e., by 31st May, 1987, so that the benefit of additional production and sales from the expansion programme will be available to the Company in the next financial year i.e. 1987-88.

Your Company is envisaging no problem in marketing the entire production resulting from the expansion programme of fluorescent tubelights.

ACKNOWLEDGEMENT

We are indebted to you, the shareholder, for the trust and confidence reposed by you in the Company; to PSIDC for promoting the project; and to Messrs NV Philips' Gloeilampenfabrieken for their continuing support.

I also take this opportunity to express my gratitude to the financial institutions, the banks, Directorate General of Technical Development, Ministry of Industries, Ministry of Finance, Chief Controller of Imports & Exports, Controller of Capital Issues, and Government of India, for their prompt assistance and co-operation.

On behalf of the Board, and on my own behalf, I would like to place on record our deep appreciation of our employees at all levels for their devoted and sincere services to the Company. Your Company is fortunate in having an excellent team of professional managers who have been able to successfully implement the project against heavy odds.

I also thank my colleagues on the Board for their guidance, wise counsel and whole-hearted support.

Before I conclude, I must express my appreciation at your valued presence here with us this afternoon, which shows the keen interest you take in the affairs and development of the Company. I thank you for having spared your valuable time.

Thank you once again.

NOTE: This does not purport to be a record of the proceedings of the Annual General Meeting.

JAISONS PAL 1286

victory, Mahathir now hopes to silence his critics, who for the past year have been raising issues of financial scandals hinged on alleged mismanagement of public funds, corruption, political chaos within the National Front and a generally perceived crisis of confidence in his leadership. Even given the 3% drop in popular votes from 60.5% in 1982 to 57.4% this time, Mahathir's critics have undeniably lost a lot of ammunition.

But an analysis of the results shows some dangerous trends. The results have clearly fallen along communal lines. The major Chinese representative in the coalition—the Malaysian Chinese Association (MCA)—was thrashed. Its sister party but rival within the coalition, the Gerakan, also suffered a major setback in Chinese areas.

Mahathir: decisive victory

Scoring strongly at their expense, the opposition Democratic Action Party (DAP)—a theoretically multi-racial party which actually operates as a champion of Peninsular Malaysia's 33.8% Chinese—did exceedingly well, seeing a large increase in parliamentary seats from nine in 1982 to 24 now, and trebling their state seats from 12 to 37. Significantly, the DAP took a hefty 20.82% slice of the total popular votes, which translated into about one-third of what the National Front components won collectively. Its share of popular votes in its contested seats was even higher at 41.8%.

Unexpectedly, the DAP's unofficial "electoral running mate," Pas, failed to deliver the Malay opposition votes, winning only one parliamentary seat compared to five in 1982, and only 15 state seats compared to 18, though it did take 15.58% of the popular votes nationwide, and 22.7% in the seats it contested. Its resounding defeat in terms of seats at least was all the more astounding given Pas' vigour, long term campaigning and carefully planned strategies. Tempering their defeat, however, is the recognition that Pas lost 19 of its seats by narrow margins of less than 1,000 votes and another 11 seats by less than 500. The fight had been very close in many areas but not close enough to change the status quo in the Malay seats.

In racially sensitive Malaysia, the conclusion is fraught with danger. Superficially and unfortunately, the opposition is now equated with being Chinese, while Malay opposition votes seem to have fallen insignificantly through the cracks between Umno and Pas. The Malaysian Indian Congress kept its promised firm grip on the country's 9% Indian voters and was returned in all the six parliamentary seats it contested, losing only one out of its 13 state seats.

Role reassessment. Thus, even as results of the 3rd August polls trickled in throughout the early hours of 4th August, Umno workers were already remarking that the National Front should reassess the MCA's role in the National Front. The MCA, they felt, was not pulling its weight, pointing to the 20 month, highly publicised MCA power struggle and MCA president Tan Koon Swan's own financial-cum-legal predicament.

Yet MCA and Gerakan leaders have always maintained that their popularity, or even credibility, depended entirely on Umno's willingness or unwillingness to accommodate Chinese demands. "Give us a few thousand blue identity cards (citizenship status), more land and land titles for Chinese new villages plus the proper allocations to develop them, and we will bring in the Chinese votes," said one MCA leader months before elections were called. "Umno takes care of Malays, so we have to take care of the Chinese," explained a Kedah MCA official in Alor Star. "Otherwise, they will surely vote DAP or even Pas."

Whether Umno will now adopt a more accommodating view towards Chinese demands or whether it will 'punish' the Chinese voters for voting for the opposition—a practice that Pas claims and Umno insiders admit is normal in Pas strongholds—remains to be seen. The heart of the matter is that Chinese voters, having given the MCA 'a chance in 1982, now appear to have reaffirmed their opposition stand.

But in Malaysia, 'opposition' is not merely a political point of reference. Opposition translates into being anti-government and by extensions therefore, anti-national. Having resoundingly supported the DAP, the Chinese voter, in government eyes, has now in effect moved from being a critic to a threat, whose loyalties are in question. Thus Pas' poor showing—and the resultant absence of any real Malay opposition—weakens rather than strengthens the DAP's position, underscoring the point made by public interest groups who urged opposition unity rather than rivalry. Halfway into the campaign, the Harakah Keadilan Rakyat, the opposition coalition presided over by Pas, collapsed and Pas, the Socialist Democratic Party, the Partai Socialist Rakyat Malaysia and Nasma began bickering among themselves. Each campaigned on its own and all four suffered.

Predictably, both the East Malaysian states of Sabah and Sarawak boosted the National Front's overall performance. The Parti Bersatu Sabah (PBS) and the United Sabah National Organisation together netted 15 out of Sabah's 20 parliamentary seats, though the PBS seems to have lost some of its Chinese support. Four Chinese seats went to the DAP and one mixed seat to an independent. Sarawak's four National Front components were even more impressive, hauling in 21 out of the 24 available seats, losing two to independents and one to a DAP incumbent.

Confounded predictions. But it was the Malay states which confounded all predictions. As the neck-and-neck race for Kelantan went into its final lap on polling day, even Umno insiders were still nervous that a two to four seat swing could mean a Pas takeover the following day. In the event, Umno surprised itself by winning 26 out of 39 state seats with three more going to National Front parties with Umno help. In neighbouring Trengganu another dicey state where Pas' new leaders have been most active, Pas dropped its state assembly representation from its pre-election five to two. The party won three state seats in Kedah, up by one from 1982, but both its president and deputy president lost their bid for parliamentary seats.

Given the complexity of variables—Pas' Islamic image under its new leadership, its courting of Chinese votes, boundary changes and even rumoured voting irregularities—the reasons for Pas' relatively poor performance will only become clear with time. An immediate possibility is that Pas had over-extended itself, aiming for too many seats in too short a time, thereby spreading its leaders and organisers thin. And to an unknown extent, Umno did get its act together in the last 48 hours—pulling together after the initial grudges over dropped candidates had cooled down and party discipline returned. Party workers whipped round the Malay states in the last two days, sometimes trailed by aides carrying briefcases—a normal, accepted feature in elections here.

But in Kelantan at least, other question marks have emerged. On the day after polling, two busloads of Pas supporters descended on Kelantan Pas chief Nik Aziz Nik Mat. Their complaints ranged from allegations of less than subtle suggestions from opponents that they should remain at home on election day, to reports that M$50 (Rs. 228) each was being paid to some Pas supporters in exchange for a 'temporary loan' of their national identity cards, without which voters cannot vote. In several cases, voters claimed they were sent from polling station to polling station in search of where they were registered.

Indeed the Umno sweep in Pasir Mas and Rantau Panjang parliamentary seats, together with the three state seats in each, surprised even Umno party workers as they sat watching the results announced over television. Both seats had been written off to Pas judging by earlier feedback from canvassers.

Pas itself has shown restraint in the reactions. Vice president Nakhaie Ahmad confined himself to blaming the recent constituency redelineation exercise which broke up Pas strongholds. As for Kelantan, "the people know what really happened to cause this anticlimax," said Nik Aziz enigmatically. "This is not the true situation. It actually would have been a Pas victory." His claim was based on feedback during the nine day campaign. "We knew that some Umno community leaders supported us, the recently estranged Berjasa party was campaigning for Pas and Chinese attitudes to Pas had changed," he explained.

Meanwhile, elsewhere in Malaysia some voters complained that ballots were not really secret as voters' registration numbers were recorded on ballot counterfoils and therefore easily traceable, a fact that election party workers readily admit. They said this has been normal practice for the last three elections however, and the purpose is to prevent ballot rigging. Some teachers and government employees in small towns especially, complain of strong social pressure to vote National Front for fear of reprisal.

Unnecessary precautions. Even if the allegations by Pas supporters are true, such Umno 'precautions' were quite unnecessary. The National Front's absolute victory was never in question and even the opposition's attempts to prise loose its two-thirds grip on the country was generally considered an "uphill task." In the southern states, the votes had gone decisively to the National Front.

But Pas had posed the threat to Umno. And significantly, the seats where the National Front did well were Umno-held seats—the most sophisticated party in the coalition, with its media liaison network, propaganda strategists and an effective vote-gathering machinery. On the ground, Umno has one party loyalist in charge of every 10 households, ensuring that villagers in his charge turn out to vote.

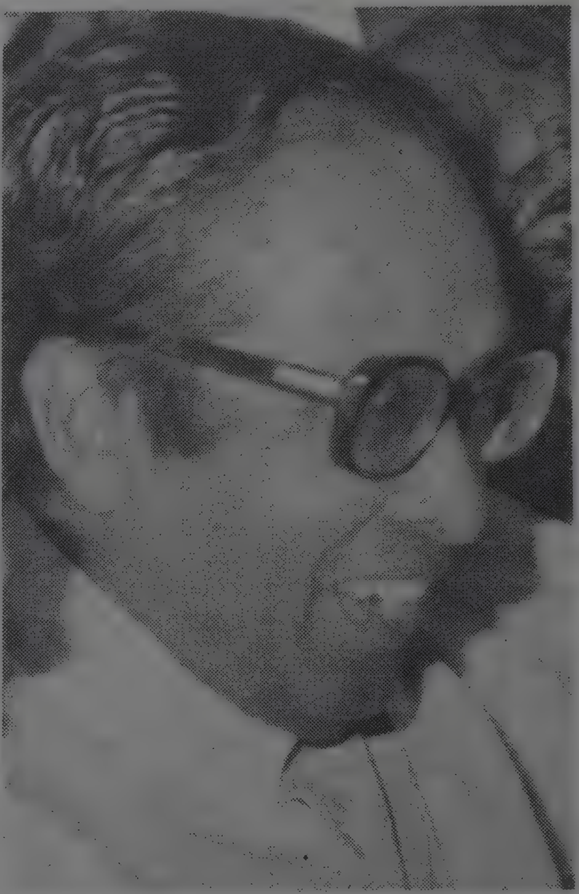
Indeed, this election proved the most sophisticated yet media-wise, with the National Front hiring the advertising agency Saatchi & Saatchi as its image-maker. As in previous years, news reports in the local press and television tuned in completely to the National Front line, giving publicity to the opposition only to show opposition weaknesses. As part of the media campaign, the National Front also took out anonymous full page daily advertisements, depicting caricatures of opposition leaders. The very day after polling, a victory song for the National Front was aired on TV3, Malaysia's only commercial network.

Suhaini Aznam
(By special arrangement with the Far Eastern Economic Review, Hong Kong).

SRI LANKA

A voice of reason

Sri Lanka's minister of finance and planning Ronnie de Mel, former brilliant civil servant married into one of the richest families in southern Sri Lanka, has established a reputation as one of the most outspoken members of the Sri Lanka cabinet on subjects ranging from finance to terrorism. Speaking to this correspondent in his quiet tree-covered and comfortable house in Colombo South, de Mel expressed the opinion that India-baiting has emerged as a popular pastime among many in Sri Lanka. He said that it served little practical purpose "but in the long run, this can even be dangerous." According to him India's proximity to Sri Lanka as well as its spiritual and ethnic proximity to the Sri Lanka Tamils themselves, has made India a country whose endorsement of any settlement of Sri Lanka's bitter Tamil problem is vitally necessary. However, he tactfully declined to identify the individuals in Sri Lanka who are in the forefront of the India-baiting campaign.



de Mel: Indian endorsement necessary

De Mel believes that the longstanding and well tested spiritual and social bonds between the two countries—despite various ups and downs—must be called upon to solve this island republic's ethnic imbroglio. Looking to countries far away from the scene, in this particular situation, is likely to be of little help to Sri Lanka, says de Mel, who also adds that at this stage India too must act with "great statesmanship and impartiality" to bring about a peaceful end to Sri Lanka's bitter ethnic conflict.

Aid cuts. In de Mel's opinion, the US does not regard Sri Lanka as strategically important. Although the Reagan administration has not specifically singled out Sri Lanka for aid cuts next year, this country has been lumped along with the other developing countries to which aid has been halved. "For the US, Sri Lanka does not fall into the category of strategically important countries such as Israel or Egypt. This is significant and must be kept in mind," he says.

Nonetheless, de Mel expresses confilence that US aid cuts will be more than nade up by other inflows. This will nake up for the $500 million (Rs.600 rores) US aid cut estimated for next ear. The Sri Lanka Aid group of ations is however unlikely to consider the destruction and the uncertainty aused by the terrorists in Sri Lanka vhile making its commitments. But he investment programme of the next ive years and Sri Lanka's remarkable performance in development in the last lecade is likely to influence it positively.

De Mel warns that aid given by this group should not be utilised for military purposes which is likely to mean reduced aid and a cut-down on some programmes. "Far from being sympathetic to Sri Lanka's problem because of ethnic strife, Western countries have not given Sri Lanka any military aid. They have even prohibited private arms manufacturers to sell arms," says de Mel. Thus prohibited from using development aid resources for defence military purposes and with no recourse to military aid, the government has had to utilise its developmental resources to purchase military supplies and to finance the soaring military budget. As a consequence the money that would have gone to maintain stable prices, increase salaries, and provide social benefits is now being canalised into defence.

In spite of the uncertain and highly volatile situation prevailing in Sri Lanka with the Tamil terrorists increasing their attacks on targets in the south, de Mel maintains that peace may be near. Indian prime minister Rajiv Gandhi, himself burdened with similar problems has been adopting a mature stance regarding Sri Lanka's ethnic problem. Unlike his reponses in the early months as premier, Gandhi is not rushing in with hasty solutions. He is instead making a careful study of Sri Lanka's proposals while consulting representatives of Lanka Tamils in India. De Mel believes that Rajiv Gandhi will attempt another peace initiative within the next three months to bring the two parties together to hammer out a political solution.

Meanwhile, the call for the All Party Conference in Sri Lanka is a vital and a significant pointer towards a peaceful political solution to Sri Lanka's ethnic problem. According to de Mel, it is a good thing that "all and sundry" are not being invited to this conference. Only recognised political parties have been asked and he hopes they will act responsibly in this hour of dire need.

Bede Perera in Colombo

LETTER FROM PEKING

TAI MING CHEUNG

Readying for modern wars

The People's Liberation Army's (PLA) training system has undergone a major reorganisation in recent months as part of a continuing drive to modernise the Chinese armed forces. From courses for generals to the training of new recruits, substantial reforms have taken place in an effort to bring operational practices into line with modern concepts.

The need for change in the training system was not readily apparent until the late seventies. During the Cultural Revolution, the army emphasised the dominance of politics over professionalism. Soldiers were more involved in conducting ideological warfare than training for fighting real wars. The dismal performance in the 1979 Sino-Vietnamese conflict revealed the PLA's abysmal state of preparedness. The virtual non-existence of coordinated operations and poor leadership by commanders clearly displayed the PLA's inadequacy in a modern combat setting.

Reform drive. Modernising the training process is regarded as a major part of the PLA's overall reform drive. Speaking at the end of May, Yang Dezhi, chief of the general staff, stated that a main goal of military modernisation is to train "a large number of a new type of qualified people of all-round development who can suit the needs of modern war." To do this, "it is necessary to reform education and training," he said.

The Central Military Commission's decision to restructure the PLA's specialised military academies was announced in mid-June. The reform will focus on schools for training commanders from the rank of platoon leader up, as well as military teachers, economists and information engineers in an effort to expand and improve the PLA's regular professional component. These officers provide leadership, expertise and experience for an army that is largely conscript. The expanded specialised academies will train around 10,000 such officers every year.

One of the most significant features in this process is the attempt to ease the rigid compartmentalisation within the PLA. The PLA's structure is divided into vertical compartments such as military, political and logistical, while most modern armed forces have a much more integrated service structure. Despite previous efforts to vary assignments following mid-career training, officers are still generally assigned to a unit within one of these three departments for their entire careers, while their western counterparts are routinely rotated after two or more years.

A new senior training and research institute, the National Defence University (NDU), was set up in mid-December 1985 to train top PLA commanders. An amalgamation of the former military, political and logistics academies, the NDU is currently preparing to receive its first batch of officers at the beginning of September. Those enrolled will be senior commanders, leading government officials and senior academics, and will number 600 students in all.

The NDU was followed in May by the creation of a battle centre for training combined army groups. Such forces are an integral part of the make-up of modern armies but were only phased into the PLA at the beginning of this year.

Clear distinction. These reforms will pave the way for the expected reintroduction of ranks next year. The creation of schools specifically for the training of sergeants will allow for a clear distinction of ranks at the non-commissioned officer (NCO) level. At present, soldiers who would be regarded as NCOs in other armed forces are called extended volunteer soldiers. They can serve up to 15 years. The NCO category had been abolished in 1964, followed a year later by the abolition of officer ranks, which allegedly had contributed to class divisions between officers and men.

Additionally, a systematic and centralised training system for teaching new army recruits was set up in late March. Recruits were previously posted straight into units where they received basic training, which meant each unit duplicated teaching tasks performed also by other units. In many instances the training programme was repeated as each new batch came in, so some soldiers underwent the same training more than once. The new system follows the practice of other armed forces of having separate and centralised training schools for its new recruits.

WEST GERMANY

Daimler-Benz's new plant

■ The West Germany-based automobile manufacturer, Daimler-Benz (sales: $17.79 billion or Rs. 21,348 crores in 1985) has unveiled a plan to build its third major car manufacturing plant in West Germany at a cost of DM1.8 billion (Rs. 1,048 crores).

According to a spokesman of the company, the long awaited decision is aimed at relieving Daimler's chronic lack of capacity in the car sector in which demand has exceeded supply for all models of the company's cars. The new plant will employ a labour force of 7,000 when fully operational. The company's other major plants are situated in Sindelfingen and Bremen with labour forces of 43,000 and 10,000 respectively.

COMPANIES

Boots' new acquisition

■ Boots, the well-known UK-based chemicals and pharmaceuticals manufacturing company (sales: $1.60 billion or Rs. 1,920 crores in 1985) plans to expand its businesses in the US. To this end, it is in the process of taking over Flint Laboratories, a profitable subsidiary of the US-based Baxter-Travenol Laboratories for a sum of £400 million (Rs. 740 crores). In 1985, Flint Lab recorded a phenomenal profit of $33 million on sales of $50 million.

Although the deal will help Boots acquire a highly profitable subsidiary, the British company has attracted a great deal of flak for the high price it proposes to pay for the acquisition—almost 25 times the annual earnings of Flint. Besides, Flint has no research department, only one important product (i.e. Synthroid) and a minuscule sales force of 70. As a result, the price of Boots' equity share on the London stock exchange has fallen by almost 20% over the week ending 15th August.

BRITAIN

Rowntree's US foray

■ Rowntree Mackintosh, the world famous UK-based confectionary manufacturer (sales: $1.46 billion or Rs. 1,752 crores in 1985) is making a determined effort to establish a presence in the US market. It has recently acquired Sunmark—a US confectionary and snack foods company which makes the well-known brand of Willy Wonka chocolates—for £155 million (Rs. 287 crores). This acquisition is considered to be a prudent one for Rowntree, as Sunmark, which in 1985 notched up sales of $99.6 million (Rs. 120 crores) has a sizeable share of the children's confectionary market in the US as well as a strong and stable management.

The acquisition will mainly be financed by a 'one-for-four' rights issue floated by Rowntree in the UK, which is expected to raise £144 million (Rs. 266 crores).

UNITED STATES

New paper giant

■ The New York (US)-based manufacturer of paper, International Paper Co. (sales: $5.50 billion or Rs. 6,875 crores in 1985) has succeeded in its bid to take over Hammermill Paper Co., the Pennsylvania (US)-based manufacturer of paper (sales: $1.87 billion in 1985). The deal was clinched by International Paper's offer of $64.50 per share involving an outlay of $1.1 billion. The merger will create the biggest paper manufacturing company in the world.

International Paper won the bid after stiff competition from rival bidders—a California investor who offered $900 million, and the Atlanta (US)-based company Georgia-Pacific Co.

COMPANIES

Shell's profit plunge

■ The Hague-cum-London-based Royal Dutch/Shell group registered a sharp decline of 27% in its net income in the first half of this year. As a result of the steep fall in oil prices worldwide, the group's net profit was £1.26 billion (Rs. 2,331 crores) *cf.* £1.73 billion in the corresponding period last year, though sales turnover at £18 billion was higher (*cf.* £13 billion) this year.

The second quarter of this year was particularly bad with the company recording a loss of 16% in net income to £545 million. The drop in the value of the US dollar against the pound during this period, also resulted in a currency loss of £126 million, *cf.* only £31 million in the same period last year, while the company's sales in the US fell by almost 200%, from £198 million to just £8 million.

However, the company's oil and gas production increased by 8% over the first three months of the year to 1.7 million barrels per day and 5.7 billion cu ft per day respectively.

KENYA

Bank scandals

■ Kenya's financial sector has been severely threatened by a series of bank crashes following exposes of banking malpractices. President Daniel Arap Moi unceremoniously sacked a member of his cabinet, Andrew Ngumba, because three locally incorporated banks are unable to pay their debts or depositors. Ngumba, formerly the assistant minister for planning and national development, was the chie executive of one of the thre groups of commercial bank and financial institution threatened with bankruptcy

Among the affected bank and financial institutions ar Continental Credit Financ and its affiliate, Continenta Bank of Kenya, which ha failed to repay debts of ove £4 million (Rs. 7.4 crores and £1.4 million (Rs. 2.5 crores) respectively, and th Union Bank of Kenya and it two subsidiaries which wer barred from Kenya Centra Bank's clearing house.

Since then the Moi administration has promised t enforce stricter observanc of banking norms and regulations in a bid to win bac depositors' confidence.

SRI LANKA

Going private

■ The Sri Lanka parliamen finally gave its approval t the government's long debated privatisation plan i the midst of opposition protests over possible layoffs.

On 6th August, parliamen okayed the closure of th State Fertilizer Corporation the Tobacco Industries Corporation (which had bee badly affected by the government's liberalised impor policies) and the Nationa Packaging Corporation. Th National Milk Board ha been replaced by Milco, public limited liability company which intends to se 49% of its equity to Sri Lanka's milk producers.

According to the islan republic's industries ministe Denzil Fernando, purchas enquiries have already bee received from India, Pakistan and Iraq about the Stat Fertilizer Corporation whic was SLRs. 500 million (Rs 22.2 crores) in the red i 1983-84 because of highe naphtha prices. Although th loss was trimmed to SLRs 300 million last year, th selling price of the corporation's product—urea—als nosedived.

PIC

Hard times

ter chalking up an excellent perform-
ce in 1985, with sales as well as earn-
gs shooting up to record levels, South-
n Petrochemical Industries Corpora-
n Ltd. (SPIC), the fertiliser giant of
e south, is likely to suffer a setback in
current year ending 31st December
86.

If actual operational performance
the first eight months (January-
ugust 1986) is any indication, the com-
ny is unlikely to be in a position to
aintain 1985 levels of sales and profits,
n the contrary, it is quite on the cards
at there will be a moderate decline in
les and a marked drop in earnings.

This sudden change in the company's
rtunes is being attributed primarily to
sharp fall in the offtake of fertilisers.
is was because of the erratic mon-
on in various parts of the country fol-
wing a severe drought in some states
ch as Gujarat. As a result the fertilis-
industry as a whole has been forced
nurse staggering inventories of 5 mil-
on tonnes valued at over Rs.1,000
ores. SPIC itself is saddled with unsold
ocks of about 1 million tonnes.

Consequently actual sales of the
mpany are an estimated 20% behind
e 1985 level and unless there is a re-
arkable improvement in the offtake of
rtilisers during October, SPIC's sales
rnover in 1986 is likely to tumble to
ound Rs. 450 crores *cf.* Rs. 560 crores
st year. Profit at the net level, which
ad shot up by as much as 58% to Rs.
9 crores during 1985, is likely to plum-
et by about 50% this year. Besides,
e decline in price realisation on
account of poor demand, lower sales, the financial burden on account of unsold stocks and a larger tax liability on account of the withdrawal of investment allowance will also cut sharply into the profitability of the company.

In view of these circumstances the company will find it difficult to maintain the equity dividend at 20% on the increased capital as raised by the company's recent 1:1 bonus issue.

BRITANNIA INDUSTRIES

Good going

Britannia Industries Ltd., the well-known biscuits and foods manufacturing company, is faring quite well in the current year ending 30th November 1986.

If the actual performance of the company during the first three-quarters of the current year (December 1985-August 1986) is any indication, sales turnover during 1985-86 will be in the proximity of the Rs. 200 crore mark as against Rs. 136 crores (on an annualised basis) achieved in the last year ended 30th November 1985. Profitability is also likely to improve noticeably and profit at the gross level is likely to cross the Rs. 10 crore mark as against the actual Rs. 8.8 crores realised last year.

The prospects from the coming years are all the more promising as the company's soyabean project will come on stream soon. Moreover, the company is going ahead with the implementation of its two diversification proposals *viz.* the manufacture of anthraquinone and footwear.

Viewed in the context of the highly encouraging performance in the current year and an even better outlook for the coming years, the company's management could well be coming out with a bonus issue this year and is likely to maintain the equity dividend at 30% on its expanded capital base.

MADRAS CEMENT

Encouraging outlook

There are good tidings in store for the shareholders of Madras Cement Ltd., the country's most profitable cement company, which is likely to announce a liberal bonus issue very soon.

Despite difficult trading conditions for the cement industry in general, Madras Cement registered a 53% spurt in gross earnings last year (1985) and a further rise of over 40% is on the cards in the company's current year ending 31st December 1986.

The outlook for the coming years is even more encouraging as the company has devised an imaginative modernisation programme under which four of its old cement manufacturing units will be replaced by one modern composite factory — a move which is likely to ensure substantial reduction in energy consumption and considerable savings in operational costs.

By the end of the current year the company's reserves will shoot up to around six times its paid-up capital of Rs. 3 crores and the management is likely to declare its first ever bonus issue.

Companies this fortnight

(Rs. crores)

	SPIC (year ending December)			Britannia (year ending November)			Madras Cement (year ending December)		
	1983	1984	1985	1983	1984	1985	1983	1984	1985
Sales	285.55	502.51	561.20	102.71	112.49	193.50	22.51	27.45	32.96
Gross profit	35.91	48.65	50.22	6.08	6.90	12.56	5.80	5.12	10.79
Paid-up capital	16.97	16.97	16.97	8.84	8.84	8.84	3.01	3.02	3.02
Reserves	28.13	49.13	84.56	9.07	10.15	14.62	10.91	12.10	15.76
Gross fixed assets	148.85	157.29	626.10	16.61	18.35	22.62	27.73	32.67	65.65
Dividend (%)	10.00	20.00	20.00	16.00	18.00	30.00	15.00	15.00	25.00
Earnings per share (Rs.)	6.85	14.40	22.90	2.90	3.03	8.05	74.63	54.36	145.95
Paid-up value (Rs.)	10.00	10.00	10.00	10.00	10.00	10.00	100.00	100.00	100.00
Market price as on 18th August 1986 (Rs.)			59.00			136.00			460.00

J.K. SYNTHETICS

Innovative project

J.K. Synthetics Ltd. (sales: over Rs. 500 crores in the year ended 31st March 1986), the Kanpur-based manufacturer of synthetic yarns, which had recently diversified into the manufacture of white cement, is further diversifying its activities. The company now proposes to set up an incineration plant for the conversion of solid waste into energy. The project is being undertaken in technical collaboration with Volund of Denmark.

The plant, which will be situated at Timapur, New Delhi, is slated to convert 300 tonnes of solid waste per day into energy, and will be operational by the end of this year. According to a company press release the plant, the first of its kind in the country, will solve the problem of the disposal of garbage in Delhi as well as generate additional energy for the city. If the project meets with success, the company will set up similar plants in the country's other metropolitan cities.

The company also has other projects on the anvil. Its proposal to manufacture facsimile systems and computer software has already received official clearance.

GEC

Marginal improvement

The Calcutta-based General Electric Co. of India Ltd. (GEC) has recorded a marginally improved performance for the year ended 31st March 1986. Sales at Rs. 9.70 crores was higher compared to the previous year's figure of Rs. 8.03 crores and net profit at Rs. 2.43 crores was also an improvement over the Rs. 2.09 crores posted last year.

However, the board of directors has recommended a dividend of 15% for 1985-86, the same as that paid in 1984-85.

GST

Impressive results

The Ahmedabad-based manufacturer of steel pipes and couplings, Gujarat Steel Tubes Ltd. (GST), has announced impressive working results for its year ended 31st March, 1986. The company recorded a sales turnover of Rs.96.68 crores while gross profit was Rs.3.72 crores and net profit Rs.1.64 crores. The board of directors has recommended a dividend of 17% against 15% for the previous financial 'year' of 15 months.

The increase in sales was due mainly to a 22% increase in the output of (and 40% increase in the value of sales) the company's specialised tubings. The company expects a considerable increase in its exports to the US, with the withdrawal of countervailing and anti-dumping duties on exports of tubes and pipes from India to the US.

GUJARAT ALKALIES

Ambitious plans

The Ahmedabad-based Gujarat Alkalies & Chemicals Ltd. (GACL) has reported excellent working results for the year ended 31st March 1986. The company's sales turnover increased by 20% to Rs. 55.15 crores *cf.* Rs. 46.04 crores in the previous financial year. Net profit also increased substantially to Rs. 4.16 crores in the recently concluded financial year *cf.* Rs. 1.96 crores in 1984-85.

Accordingly, the company's board directors has recommended a 26% dividend on equity shares, up by 1% from the previous year's 25%.

In the meanwhile, an ambitious diversification programme involving a investment of Rs. 300 crores is underway. Among the diversification projects which are of particular significance to the company's future growth is the prestigious joint sector Gujarat Petrochemicals Complex in which GACL proposes to make a substantial investment.

API

Remarkable improvement

The Bombay-based Automobile Products of India Ltd. (API), which manufactures scooters, light trucks, brakes and clutch assemblies, has shown a remarkable improvement in it

Some forthcoming public issues

Company	Type	Date	Issue size (Rs. in crores)	Purpose
Dexo Laboratories	E & NCD	1st September	0.81	Long term working capital
Richimen Silks	E	1st September	0.70	Expansion and modernisation
Krishna Ceramics	E	1st September	1.48	Expansion and modernisation
Dany Dairy & Food Engineers	E	2nd September	0.60	Long term working capital
Banco products	E & CD	3rd September	1.45	Long term working capital
Vishal Electro-Mech	E	3rd September	0.63	Expansion and modernisation
Sree Rayalaseema Alkalies	E	9th September	4.34	Expansion and diversification
Oswal Agro Furane	E	9th September	8.82	Long term working capital
Dewan Rubber	E	9th September	0.94	Expansion and modernisation
Lloyds Steel	E	9th September	2.30	To part finance projects
Ispat Alloys	E	10th September	1.79	To part finance projects
United Containers	E	10th September	0.60	Expansion and modernisation
Tamilnadu Petroproducts	E	18th September	20.00	Long term working capital

E=Equity shares, face value Rs.10, NCD=Non-convertible debentures, CD=Convertible debentures orking results for the year ended 31st ecember 1985. Sales shot up to .39.29 crores *cf.* Rs.31 crores the ar before, while gross profit at .1.88 crores provided a sharp ntrast to the previous year's loss of .35.65 lakhs. Net profit was also tter at Rs.69.65 lakhs *cf.* the loss of .1.01 crores incurred the year fore. Although the market response the company's new model scooter d three-wheeler vehicle has been od, the higher cost of inputs and ugh competition could result in low ofits for the company in its current ar.

HAITAN ELECTRICALS

xcellent performance

The well-known Hyderabad-based company, Khaitan Tibrewala lectricals Ltd., which manufactures ectrical fans and regulators apart om other electrical equipment, corded an excellent performance uring the year ended 31st December 985. Sales turnover more than oubled to Rs.8.62 crores *cf.* Rs.4.20 rores in the previous year while gross rofit rose correspondingly to Rs.57.57 khs from Rs.28.50 lakhs. Profit after epreciation and taxation amounted to s.29.32 lakhs for the recently oncluded year *cf.* just Rs.8.65 lakhs in 984.

The improved performance of the ompany has prompted its board of irectors to declare a final dividend of % which together with the 10% nterim dividend already paid adds up o an annual dividend for 1985 of 15% s compared with the 12% paid in 984.

BC FERRO ALLOYS

Maiden dividend

VBC Ferro Alloys Ltd., the Hyderabad-based manufacturer of erro silicon, has fared well during the ine month period between 1st April nd 31st December 1985. The ompany, whose plant is located at Medak district in Andhra Pradesh, chieved sales valued at Rs.8.47 crores uring this period while gross profit was Rs.1.64 crores and net profit Rs.42.86 lakhs.

Taking this encouraging performance into consideration, the oard of directors has recommended a maiden dividend of 9%.

PEOPLE & PLACEMENTS

RUSI N. ENGINEER has been elected vice chairman, National Alliance of Young Entrepreneurs, Maharashtra State Board.

SHYAMAL GHOSH has been appointed managing director of International Computers Indian Manufacture Ltd., Bombay.

M.A. WAHEED has been appointed manager, Karishma Advertising, Hyderbad.

K.K. BAJAJ has been appointed chairman of Bajaj Leasing & Computers Ltd., New Delhi.

B.M. GOGTE has been re-nominated chairman, National Institute for Training in Industrial Engineering, Bombay.

MINAAL M. SINHA has taken over as executive director, Modi Motors Pvt. Ltd., New Delhi.

M.K. RAINA has been elected chairman, Joint Committee of the Paper Industry, Calcutta.

A.C. WADHWAN has been appointed part-time director on the board of Hindustan Copper Ltd., Udaipur.

K.K. SABOO is the new president of the Chotanagpur Small Scale Industries Association, Ranchi.

N.L. KANOONGO has taken over as executive director (finance), Rajasthan State Industrial Development & Investment Corporation Ltd., Jaipur.

RAVIN JHUNJHUNWALA has taken over as chairman, Orissa Committee of the Association of Indian Engineering Industry, Cuttack.

V.S. KIRPEKAR has been promoted to the position of general manager, Jaya Hind Sciaky Ltd., Pune.

ANAND DARBARI has taken over as managing director, Bharat Wagon & Engineering Co. Ltd., Patna.

V. SRINIVASAN has taken over as general manager (planning), State Bank of India, Bengal Circle.

Explaining institutional shyness

The stockmarket, currently in a depressed state due to a virtual lack of fresh buying and persistent selling of listed scrips, is experiencing a crying need for support from the public sector financial institutions. Apart from their big stake in the capital market as a consequence of having invested large amounts of public savings at their disposal into equity shares of companies, these institutions are also invested with the responsibility of acting as stabilising forces on the stock exchanges.

Currently, and for the past several weeks, bear speculators on the exchanges are recklessly short-selling several listed scrips, and devoid of support, equity shares have been steadily losing ground. At a time like this too, the public sector-owned financial institutions owe it to themselves to come forward and make purchases of shares so as to restore the stockmarket's equipoise.

In the circumstances, it is rather odd that the public sector financial institutions, ordinarily purchasers of shares, have of late hesitated to extend support to the stockmarket. They did not make purchases until 18th August when the equity indices had dropped to the lowest levels recorded in the wake of a disappointing budget in the month of March. The institutions did come to the market and make purchases of some shares on 20th August. But they did this only for that day and stayed away the very next day.

Under orders? What is it that has made the public sector financial institutions lukewarm to the idea of supporting the stockmarket? Is it that they believe that because the law and order situation in the country has remained troublesome and because of recent reports of border skirmishes with Pakistan, the markets may remain under a shadow and equity shares may be available for purchase at better rates? Or is it simply that they are under orders of the government to desist from making purchases of shares for the time being?

Assuming the spread of terrorism as also the outbreak of communal violence in parts of the country and clashes with Pakistan on the border have cast their shadow on the stockmarket, there is all the more reason that at such a time the government-owned financial institutions should come forward and extend support to the market by making purchases. Even the question of these developments rendering equity shares cheaper at some later stage is not a valid consideration for these institutions abstaining in this situation.

But when they did not do this and let equity values slide, the conclusion was inescapable that they were under orders to restrain themselves. Nor is this just an impression. Stockbrokers in Bombay say that with equity values suffering sustained losses for over a month, when they sounded the financial institutions on the subject of shoring up share prices, they were told by the Unit Trust of India (UTI) among others that they had no intention of making purchases at that time.

Why then did the institutions make purchases of shares on 20th August? Stockbrokers explain that although the institutions had declined their offers previously, they came forward to buy equity shares and lend support to the markets because the executive director of the Bombay stock exchange (BSE) M.R. Mayya had beseeched them (i.e. the institutions) to do so. BSE members say that their chief was taken aback by falling equity values and called up UTI to come and lend a hand.

The purchases of some of the listed scrips which the institutions made on that day were strictly by way of exception to their present steadfast abstinence on the stockmarket. This was confirmed when they withdrew from the market the very next day and have remained bystanders even since.

Only explanation. Why are the institutions so wary? The only explanation is that the government urgently needs, and has drafted, the investible resources of these institutions. This argument is supported by the government's proposal to raise the substantially large sum of Rs. 1,200 crores by way of subscription to the issues of the bonds of several public sector companies.

Ever since the Union finance minister gave permission in the budget to public sector companies to tap the savings of the public directly, the government has focussed its attention on post-tax household sector savings to fund development activity in the state sector. Whereas in the budget this permission to raise public resources was limited to government companies in the telecommunications and power sectors, now such establishments as the Mahanagar Telephone Nigam Ltd., Bombay, and the Indian Petrochemicals Corporation Ltd., Baroda, are also being encouraged to issue bonds to the public.

By allowing a larger number of its undertakings to tap public savings direc through bond issues, the government h also had to provide more incentives investors. It has done this by extendi increasingly liberal tax concessions. T issues made in the recent past by Indi Telephone Industries Ltd. (ITI), the N tional Thermal Power Corporation Lt (NTPC) and the Rural Electrificati Corporation Ltd. (REC) were designat 'permitted securities' under s.80L the Income Tax Act, 1961, i.e. inves ment in such bonds was made tax d ductible. At the same time, the intere income on these bonds was freed fro the requirement of tax deduction source. Above all, these bonds offer t exclusive benefit of absolute exempti from wealth tax, irrespective of t amounts invested.

In addition to these incentives, oth public sector organisations entering t capital market for the first time ha been extended the advantage of issui income tax free bonds. However t proposed rate of interest for these i come tax free bonds is lower at 10% p annum compared to the 14% offered ITI, NTPC and REC on their taxable bond But henceforth all public sector corpor tions will have this additional facility issue income tax-free bonds.

Yet all these concessions make sens to the investing public, not to the publ sector financial institutions. The incom of these institutions (excepting the ICI which deals in foreign currency transa tions) is in any case tax-free. It is n necessarily to safeguard the interest the financial institutions that the gover ment has prevented them from investin their funds in equity shares.

Disappointing investment. It has restrained them because despite th multifarious incentives, public inves ment in public sector bonds so far ha been disappointing. Almost all of th ITI, NTPC and REC bonds, which in the cas of the first two companies were for a lik amount of Rs. 100 crores and in the cas of the last mentioned company for smaller sum of Rs. 65 crores, wer purchased by the public financi institutions.

In the light of this experience, the government perhaps does not want to tak any chances. Should the investor publi not respond to this additional incentive the proposed issue of public sector bond to raise Rs. 1,200 crores can be substantially shored up by the institutions Hence the directive to the institutions t keep their powder dry.

Artymon

A season of opportunity

The recent bear raids in the stock exchanges — and the Bombay stock exchange (BSE) in particular - have driven equity values downwards lower levels. Consequently a large umber of blue chip equities are cur- ntly being quoted at rock bottom rices.

The major causes of this general soft- ess in the stockmarket are the worsen- g law and order situation in the country - particularly the continued disturb- nces in Punjab and other northern ates — and the sharp falls witnessed in ne values of the equity shares of Re- ance and Orkay. The BSE's index of ensitive shares (1978-79=100) now ands at 539.33. In my opinion, the arket will find support at the 525-530 evel, when investors as well as the finan- al institutions are likely step in to sup- ort the market.

There is no cause for undue pessimism nd the general consensus of opinion is nat a rally is now expected. Therefore nis is a good time to pick up some high rowth potential equities at bargain asement prices.

Britannia Industries Ltd. (BIL — sales: Rs. 193.5 crores in the 17 month 'year' nded 30th November 1985) is a good nedium term (18-24 months) buy The ompany's equity share (Rs. 10 paid up) s currently quoted at Rs. 135 in the BSE. IL is a company which needs no intro- luction to the discerning investor and as been well entrenched in the Indian onsumer products market since 1918. The company's products are well ac- epted by the Indian consumer and are ousehold names. BIL is also reported to ave embarked upon a major diversifica- ion programme and is setting up a soya- ean complex at Vidisha in Madhya Pradesh. The project will go on stream in December and the company's manage- nent is already evaluating several other projects for further expansion into re- ated lines of business.

Recommended purchase. Meanwhile the company's performance improved dramatically in the 17 month period ended 30th November 1985. Exports have risen in geometric progression from a mere Rs. 11.13 crores in the year ended 30th June 1984 to Rs. 32 crores in the 'year' ended 30th November 1985, enabling the management to declare a 30% dividend for 1984-85. According to reliable market sources, the company is faring well even in the current year and the earnings per share have also improved. The share is a likely bonus candidate and is a recommended purchase at its current price.

Another counter worth picking up is **Flakt India** (sales: Rs. 20.1 crores in the year ended 31st December 1985), a company which has shown remarkable growth. Promoted by Flakt AB of Sweden which continues to own 51% of the equity capital of its Indian subsidiary,the company is engaged in the manufacture of pollution control equipment, industrial ventilation, air-conditioning, surface treating and material handling equipment and industrial and vacuum cleaning systems. According to the chairman's report the company has achieved its annual budgeted sales for 1986 in the first four months of the current year.

Assuming that the same trend is maintained throughout the year, the company's sales could frogleap to about Rs. 50 crores from the mere Rs. 20 crores achieved in 1985. The equity capital being only Rs. 2.55 crores out of which 51% is held by the parent company, the floating stock of the company's shares is very low. Consequently, the scrip could scale new heights. In my opinion, this particular scrip is a good long term investment (three-four years) for hefty capital appreciation.

The equity share of **Indag Products Ltd.** (sales: Rs. 17 crores in the year ended 31st August 1985) qualifies as a good short term (10-11 months) investment. The Rs. 25 share is currently quoted almost at par price, Rs. 26, and a prospective purchaser has precious little to lose and a lot to gain. The company, a part of the Coramandel Indag group, is engaged in the manufacture of single super phosphate (SSP) and agro chemicals. The company also manufactures sulphuric acid which is used for captive consumption in the manufacture of SSP.

Currently, Indag Products is the only company in the country manufacturing monocrotophos, a high quality protective pesticide used to protect cash crops. Monocrotophos is currently being imported to meet demand and hence marketing will not be a problem. The company has also obtained an industrial licence for the manufacture of butachlor technical, a pesticide used to protect paddy crops.

The Rs. 3 crore project will be commissioned shortly and commercial production will start soon thereafter. The company has not declared a dividend so far in order to conserve resources for expansion. Its earnings per share has been rising steadily and is projected to reach Rs. 5.25 for the current year. The company being a part of the Coramandel group has access to in-house R&D facilities; and further since the group has technology tie-ups with international companies such as Hoechst AG, Rousell Uclaf, Du Pont, Nissan Chemicals, etc., it has access to international technology. The share is poised to touch the Rs. 40-45 mark within a short time.

Good results. A bonus issue is imminent from **J.K. Synthetics Ltd.** (sales: Rs. 500 crores in the year ended 31st March 1986) whose Rs. 10 share is currently quoted at Rs. 108. The company has chalked up extremely good results in its year ended 31st March 1986 with post-tax profit rising from Rs. 9.85 crores in 1985 to Rs. 39.11 crores in 1986 — a near four-fold increase. A company promoted and managed by the well established industrial house of Singhania, J.K. Synthetics is a well diversified company with about three-fourths of its turnover being contributed by synthetic fibre sales and the balance being contributed by its cement division.

The company is currently on an expansion spree with projects valued at Rs. 425 crores in hand. The expansion will be completed by the end of 1987. The company plans to diversify into the hi-tech field of electronics and to achieve this ambitious goal it has tied up with a reputed Japanese company. It has also acquired land at the Noida export zone where it intends developing software. With such an impressive array of expansion and diversification schemes on the anvil, the quotation for the company's equity share is poised for a quantum jump. A good medium term (24-30 months) investment.

To finance these recommended purchases, those with widely diversified portfolios may need to shed some shares within their portfolios. **Baroda Rayon Corporation** (BRC), according to market reports, has fared badly. Therefore it would be advisable to dispose of the company's share and purchase those of J.K. Synthetics instead. BRC is reportedly experiencing a liquidity crisis and has introduced rigorous austerity measures to control costs.

Parke Davis is also reported to be doing badly. The company's margins are reportedly under pressure and profitability is likely to be adversely affected.

According to latest reports, a lock-out has been declared by the management of **Zenith Steel Industries Ltd.** Consequently the equity share of this company too may yield some ground. Nevertheless, it is a good buy if the price of its equity share currently quoted at Rs. 86 in the BSE drops to Rs. 60 or thereabouts.

Gul Tekchandani

BusinessWorld
September 1—14, 1986

Depressed sentiment

Despite support from financial institutions for pivotal scrips and reports of a good monsoon in several states, equities on stock exchanges remained depressed during the fortnight ended 22nd August. The continued unrest in Punjab and other states dampened market sentiment. The poor response to recent issues was a measure of the loss of investors' confidence.

Reflecting the downtrend in equity values, *The Economic Times* index of ordinary shares (1969-70=100) moved down from 496.1 on 11th August to 491.6 on 22nd August, showing a loss of 1.11%. Following suit, the *Financial Express* equity index (1979=100) declined from 358.78 to 351.03 during the same period.

The major feature of the trading during the fortnight under review was the sharp fall in the quotation of the Bajaj Auto scrip which tumbled by 15.3% from Rs. 3,800 to Rs. 3,225 following reports that in the forthcoming board meeting the company would not consider the issue of bonus shares. However, Orkay shares gained 12.87% rising to Rs. 149 on informed buying.

Iron and steel equities showed a distinct downward trend on tired bull liquidation and bear hammering. Although the Bombay stock exchange put a ban on forward sales in Tata Steel equities, the scrip failed to show any improvement.

Continued decline. In the absence of any fresh buying, cotton textile equity values continued to decline with the *ET* sectoral index for these scrips moving down from 292.9 on 11th August to 288.4 on 22nd August. Cement shares too were depressed for the want of fresh enquiries and because of scattered bull unloading.

Following rumours of a recessionary trend in the automobile industry, engineering equities lost ground, with the *ET* index for these scrips moving down by 2% to 907.8 during the fortnight. Fertiliser shares were also subdued due to the glut of stocks.

"In the light of recessionary trends in some industries such as automobiles and cement, equities are likely to show an easy trend for some time. Besides, new investors who entered the capital market for the first time have burned their fingers in the new issues market. This has depleted the confidence and enthusiasm of investors. Inter-corporate squabbles have also affected market senitment adversely," observes S.K. Mitra, chief of the merchant banking division of American Express Bank Ltd.

S. Dhruv

BOMBAY 1985

Name/Industries 1	Price range High 2 (Rs.)	Price range Low 3 (Rs.)	Dividend per share 4 (Rs.)	Opening 11-8-86 5 (Rs.)	Closing 22-8-86 6 (Rs.)	Yield 7 %
Textiles						
Baroda Rayon (100)	500.00	282.00	15.00	295.00	270.00	5.6
Bombay Dyeing (25)	156.00	63.00	1.75*	101.50	88.00	2.0
Century Spg. (100)	1530.00	805.00	24.00*	765.00	740.00	3.2
Century Enka (100)	1240.00	600.00	34.00	1130.00	1020.00	3.3
Garware Nylon (10)	64.00	24.50	1.80	40.00	39.50	4.6
Gwalior Rayon (10)	88.00	53.50	2.20	75.50	76.00	2.9
Indian Rayon (10)	144.00	65.00	2.40	123.50	121.50	2.0
JK Synthetics (10)	118.00	51.70	1.50	114.50	110.50	1.4
Mafatlal Ind. (125)	400.00	235.00	22.00	455.00	453.00	4.9
Nirlon (10)	73.00	37.00	2.25*	35.00	34.00	6.6
Reliance Ind. (10)	252.00	121.00	4.00	265.00	254.00	1.6
S. I. Viscose (100)	285.00	170.00	15.00	215.00	190.00	7.9
Standard Mills (100)	475.00	272.00	12.00	410.00	397.50	3.2
Paper						
Andhra Pradesh (100)	195.00	160.00	20.00	150.00	150.00	13.3
Ballarpur (10)	68.00	43.00	2.20*	54.00	57.00	3.9
Bhadrachalam (10)	36.00	20.50	N.A.	37.00	36.50	...
Jayant Paper (10)	28.00	13.50	2.00	18.50	18.50	10.8
Orient Paper (10)	101.00	59.00	2.00	70.00	70.00	2.9
Steel						
Mukand (10)	54.00	21.75	N.A.	53.50	51.50	...
Tata Steel (100)	1255.00	379.50	21.00	1280.00	1255.00	1.7
Zenith Steel (10)	78.00	27.50	2.50	86.00	86.00	2.9
Metal & Alloys						
Bihar Alloys (10)	26.00	8.25	N.A.	15.25	14.50	...
Ferro Alloys (100)	275.00	125.00	12.50	365.00	365.00	3.4
Hindustan Alum (10)	94.00	51.00	1.35*	74.00	78.00	1.7
Mahindra Ugine (10)	49.00	27.00	N.A.	52.50	27.00	...
Engineering						
Antifric Bearings (10)	50.00	21.50	1.40	17.00	13.50	10.4
Associated Bearing (100)	800.00	435.00	20.00	700.00	700.00	2.9
Atlas Copco (10)	72.00	35.00	1.20	88.00	84.00	1.4
Bharat Forge (10)	90.00	29.00	1.80*	78.00	76.00	2.4
Bharat Gears (10)	60.00	27.50	1.80	23.00	26.00	6.9
Blue Star (10)	92.50	32.50	2.00	87.50	85.00	2.4
Elecon (10)	108.00	54.50	1.70	107.50	100.00	1.7
Greaves Cotton (100)	350.00	202.50	17.00*	280.00	280.00	6.1
Hind Lever (10)	128.00	50.75	2.40	180.00	173.00	1.4
Ingersoll-Rand (10)	365.00	159.00	3.50	300.00	260.00	1.3
KEC Int. (10)	40.00	24.00	1.25	18.00	16.50	7.6
Kinetic Engg. (10)	360.00	128.00	2.50	352.50	325.00	0.8
Kirloskar Cummins (100)	753.50	500.00	15.00	605.00	610.00	2.5
Kirloskar Oil (10)	36.00	19.50	1.25	16.50	15.00	6.3
Larsen & Toubro (10)	193.00	72.00	2.40	129.00	123.00	2.0
Mahindra & Mahindra (10)	102.00	47.50	1.80*	52.50	50.00	3.6
Otis Elevator (10)	215.00	85.00	2.50	137.50	130.00	1.9
Premier Auto (100)	650.00	310.00	21.00	915.00	875.00	2.4
Pressure Cookers (10)	49.00	25.00	1.90	35.50	33.50	3.7
Tata Engg. (100)	1030.00	406.00	23.00	685.00	700.00	3.3
Voltas (100)	470.00	358.00	10.00*	225.00	220.00	4.5
Automobiles						
Bajaj Auto (100)	2075.00	855.00	30.00	3750.00	3350.00	0.9
Bajaj Tempo (10)	280.00	143.00	2.50	125.00	125.00	2.0
Escorts (10)	102.00	45.75	2.20	100.00	95.00	2.3
Motor Industries (100)	815.00	321.25	15.00	875.00	865.00	1.7
Cables & Electricals						
Asian Cables (100)	215.00	112.50	10.00	175.00	175.00	5.7
Bajaj Electricals (100)	340.00	115.00	20.00*	750.00	730.00	2.7
Bharat Bijlee (100)	300.00	105.00	16.00	475.00	500.00	3.2
Crompton Greaves (100)	350.00	257.50	10.00	280.00	260.00	3.8
Peico Electronics (10)	103.00	38.50	2.00	53.00	59.50	3.4
Siemens India (10)	87.50	38.00	1.40	86.50	86.00	1.6
Dyes & Chemicals						
Amar Dye-Chem (100)	95.00	62.50	12.00*	65.00	60.00	20.0
Bayer (100)	480.00	320.00	18.00	600.00	590.00	3.1
I.E.L. Ltd. (10)	80.00	32.70	2.00	64.00	66.00	3.0
Colour-Chem (100)	335.00	185.00	12.00*	260.00	242.50	4.5
Cynamid (10)	80.00	35.00	25.00*	65.00	64.00	39.1
Glaxo (10)	75.00	23.75	1.80	58.00	55.00	3.3
G S F C (100)	895.00	534.00	24.00	153.00	149.00	16.1
Herdillia Chem (10)	67.00	25.50	1.80	44.00	40.00	4.5
Mafatlal Dyes (10)	33.00	23.50	1.70	24.00	23.00	7.4
Mangalore Chem (10)	50.00	19.50	N.A.	45.50	43.00	...
Indian Dyestuffs (100)	390.00	267.50	16.00	240.00	240.00	6.7
Indian Organic (10)	141.00	50.25	18.00*	80.00	73.00	24.7
Pfizer (10)	100.00	39.00	2.00	85.00	85.00	2.4
Polychem (50)	181.00	60.00	10.00	210.00	212.50	4.7
Sandoz (10)	80.00	31.00	1.40	111.00	105.00	1.3
Sandvik Asia (100)	575.00	340.00	10.00	675.00	690.00	1.4
Tata Chem. (10)	155.00	64.50	2.50	102.00	102.50	2.4
Warner Hind (10)	75.00	36.00	2.50*	87.50	85.00	2.9
Zuari Agro (10)	94.00	46.00	2.25*	85.00	85.00	2.6
Shipping						
Chowgule (10)	16.50	5.00	N.A.	5.75	5.75	...
Great Eastern (10)	34.00	14.25	0.70	15.50	14.50	4.8
Scindia (20)	21.50	7.00	N.A.	7.50	7.25	...

BusinessWorld
September 1—14, 1986

Name/Industries 1	1985 Price range High 2 (Rs.)	 Low 3 (Rs.)	Dividend per share 4 (Rs.)	Opening 11-8-86 5 (Rs.)	Closing 22-8-86 6 (Rs.)	Yield 7 %
BOMBAY						
Cement						
A C C (100)	610.00 -	380.00	20.00	228.50	208.00	9.6
Digvijay Cement (100)	230.00 -	180.00	20.00	170.00	160.00	12.6
Mysore Cement (10)	48.00 -	30.00	1.75	27.00	26.00	6.7
Raaci Cement (10)	60.00 -	31.00	1.80	28.00	28.00	6.4
Miscellaneous						
Andhra Valley (100)	180.00 -	121.00	16.00	205.00	283.75	8.7
Blow Plast (10)	122.00 -	44.00	2.50*	72.00	72.00	2.7
Colgate (10)	318.00 -	143.50	7.00*	320.00	292.50	2.4
East India Hotels (10)	53.00 -	25.50	2.00	48.00	46.00	4.4
Garware Marine (10)	33.00 -	14.00	1.40*	13.00	13.00	10.8
Gujarat Alkali (10)	65.00 -	38.00	2.50	59.00	59.00	4.2
Harri Malayalam (10)	76.00 -	38.00	2.50	39.00	38.00	6.6
Indian Hotels (10)	135.00 -	77.00	2.50	120.00	100.00	2.5
I.T.C. (10)	59.80 -	29.00	2.25	64.00	66.00	3.4
Lohia Machine (10)	85.00 -	43.50	2.00	38.50	25.00	8.0
Ponds (10)	218.00 -	103.00	4.50	375.00	350.00	1.3
VST Ind (10)	38.50 -	21.00	2.30	30.00	30.00	7.7
Wimco (10)	71.00 -	38.50	2.00	61.00	61.00	3.3
CALCUTTA						
Textiles						
Bharat Commerce (10)	27.00 -	13.75	1.00*	13.65	13.60	7.4
J. K. Cotton (10)	64.00 -	18.00	1.20*	71.00	69.00	1.7
Kesoram Ind (10)	85.00 -	52.00	2.35	62.50	61.50	3.8
Jute						
Birla Jute (10)	105.00 -	51.50	1.85	44.25	45.00	4.1
Reliance (10)	— -	—	1.75*	39.00	39.00	4.5
Chemicals						
Chloride India (10)	95.00 -	58.00	2.20*	126.00	122.00	1.8
Indian Oxygen (10)	66.30 -	42.75	2.00*	53.00	53.00	3.8
Engineering						
Alfred Herbert (10)	25.00 -	16.00	1.50	14.25	14.25	10.5
Guest Keen (10)	35.25 -	20.00	0.50	17.10	18.30	2.7
India Foils (10)	78.00 -	38.75	2.00*	90.00	88.50	2.3
Macneil Magor (10)	250.00 -	127.00	12.00	22.00	22.00	54.5
Metal Box (10)	25.00 -	11.50	0.80*	17.20	17.30	4.6
Union Carbide (10)	38.00 -	16.75	0.50	23.25	21.75	2.3
Usha Martin (10)	48.00 -	26.00	1.60*	33.00	32.50	4.9
Tea						
Basmatia (10)	44.75 -	35.25	3.00	32.25	29.50	10.2
Brooke Bond (10)	83.00 -	46.50	2.50	67.00	73.50	3.4
Tata Tea (10)	177.00 -	64.00	5.00*	52.00	60.00	8.3
Miscellaneous						
Britannia Ind (10)	91.00 -	46.50	1.80	147.50	141.50	1.3
Davy Ashmore (10)	30.00 -	18.25	1.50*	22.00	20.75	7.2
English Elec (10)	114.00 -	70.00	3.50	94.00	94.00	3.7
Hindustan Motors (10)	127.00 -	37.10	2.00	41.10	42.55	4.7
Remington Rand (10)	80.00 -	36.50	2.00	32.50	33.00	6.3
Uni Cables (10)	65.00 -	26.50	1.50	76.50	76.00	2.0
DELHI						
Amrit Banaspati (10)	48.00 -	15.00	1.20*	40.00	40.00	3.0
D C M (25)	82.00 -	48.25	3.75	37.50	37.00	10.1
Escorts (10)	102.00 -	45.75	2.20*	97.00	94.25	2.3
Goetze India (10)	61.00 -	21.00	1.80*	54.50	55.50	3.2
Jagatjit Cotton (10)	— -	—	1.40*	70.00	76.00	1.8
Kelvinator (10)	105.00 -	49.00	1.60	71.00	69.00	3.3
Modi Industries (10)	87.00 -	16.50	1.80	43.00	36.00	5.0
Prakash Tubes (10)	24.50 -	18.00	1.50	20.00	19.50	7.9
AHMEDABAD						
Anil Starch (100)	225.00 -	147.00	18.00	180.00	180.00	10.0
Aruna (100)	200.00 -	105.00	15.00*	140.00	146.00	10.4
Atul Prod. (100)	667.00 -	311.50	20.00	453.00	424.00	4.7
Bharat Vijay (100)	255.00 -	167.50	10.00	185.00	200.00	5.0
Calico (125)	235.00 -	108.00	N.A.	120.00	108.00	...
Cellulose Prod. (100)	— -	—	8.00*	90.00	80.00	10.0
Guj. Steel (100)	300.00 -	140.00	15.00	242.50	205.00	7.3
Mafatlal Ind. (100)	390.00 -	235.00	22.00	462.00	383.00	5.7
Vallabh Glass (100)	275.00 -	105.00	22.00*	100.00	100.00	22.0
MADRAS						
Aluminium Ind. (10)	17.00 -	5.00	1.50*	7.50	7.10	21.1
Amrutanjan (10)	— -	—	3.50	69.00	69.00	5.1
Andhra Cement (10)	— -	—	1.50	19.00	19.00	7.9
Ashok Leyland (10)	58.00 -	25.00	1.80*	27.50	26.00	6.9
Enfield India (10)	101.00 -	45.00	2.00	55.75	26.50	7.5
Indian Cement (10)	46.00 -	20.00	2.00	25.00	25.00	8.0
Kothari Ind (10)	34.50 -	19.00	1.20*	14.25	13.15	3.9
Madura Coats (10)	69.00 -	27.25	2.50	53.00	55.00	4.5
Mysore Lamps (10)	84.00 -	40.00	2.50	48.00	55.00	4.5
Textool (100)	265.00 -	182.00	18.00	265.00	265.00	6.8

* Latest Available

Gainers	Between 11th August and 22nd August
Assam Frontier (10)	+ 1.25
Bata (10)	+ 5.00
Brooke Bond (10)	+ 5.00
Gwalior Rayon (10)	+ 0.50
ITC (10)	+ 1.00
JK Synthetics (10)	+ 0.50
Jayant Vitamins (10)	+ 3.00
Modi Rubber (10)	+ 3.00
Orkay (10)	+ 17.00
Straw Products (10)	+ 2.00
Tata Tea(10)	+ 2.00

Losers	Between 11th August and 22nd August
ACC (100)	– 18.00
Andhra Cement (10)	– 1.50
Ashok Leyland (10)	– 3.50
Asian Paints (10)	– 20.00
Bajaj Auto (100)	– 575.00
Baroda Rayon (100)	– 25.00
Binny (10)	– 1.25
Bombay Dyeing (25)	– 7.00
Century (100)	– 35.00
Colgate (10)	– 17.50
DCM (25)	– 1.25
Deepak Fert. (10)	– 2.00
Essar Shipping (10)	– 1.00
Food Specialities (10)	– 22.50
Garware Polyester (10)	– 9.00
Glaxo (10)	– 2.00
GNFC (10)	– 4.00
GSFC (10)	– 6.00
Hind Lever (10)	– 8.00
Ind. Organic (10)	– 1.00
Ind. Rayon (10)	– 2.00
Larsen & Toubro (10)	– 3.50
MICO (100)	– 22.50
MRF (10)	– 3.50
Mukand (10)	– 4.00
NOCIL (100)	– 37.50
Nirlon (10)	– 1.00
Pfizer (10)	– 3.00
Premier Auto (100)	– 20.00
Reliance (10)	– 7.00
Ranbuxy (10)	– 4.50
Sesa Goa (10)	– 1.00
SPIC (10)	– 1.00
Tata Chemicals (10)	– 1.00
TELCO (100)	– 7.50
TISCO (100)	– 30.00
WIMCO (10)	– 2.00
Zenith (10)	– 2.00
Zuari (10)	– 2.00

Nirlon's civil war

The reported decision taken by the public financial institutions led by the ndustrial Development Bank of India to ssue a get-your-act-together-or-else notice to the promoter managers of Nirlon Synthetic Fibres and Chemicals Ltd., has brought the long simmering breach between its two managing directors — Virenchee Sagar and Manhar Bhagat — into the open.

This development is somewhat ironical since both Bhagat and Sagar had apparently taken particular care to ensure that they didn't tread on each other's corns. Scrupulous care was taken to ensure that both of them were designated managing director (overall coordination) and in a Cover Feature interview given to *BusinessWorld* (*BW* July 30-August 12, 1984) they had insisted on fielding interview questions alternatively to emphasise their equality.

Quite obviously while the going was good for Nirlon, its somewhat too demonstrative egalitarianism worked. But recently when the company has been experiencing hard times (net profit has plunged from Rs. 7.24 crores in 1980-81 to Rs. 1.93 crores in the 18 month 'year' ended 30th September 1985), this arrangement has fallen apart at the seams.

According to the proverbial reliable sources the steep fall in the price of nylon filament yarn which has plunged from Rs. 172 to Rs. 132 per kg during the last four months, and the fact that the company has invested in long gestation projects without adequately tying up term finance, has landed it in a cash crunch. Though the company's nylon and tyre cord divisions are doing well, its conveyor and V-belt divisions are in trouble. In addition, its proposal to set up a steel cord reinforced conveyor belt project in collaboration with Clouth Gummiwerke, West Germany, has suffered a year's delay, giving a chance to two Calcutta-based companies — Dunlop and Andrew Yule — to steal a march over Nirlon and establish their products in the marketplace.

All these developments have conspired to shatter the always tenous peace in Nirlon House, Bombay, which is experiencing a top level war of recriminations. But it's an ill-wind, etc., and several large business houses are mooting suggestions to the battling cousins that they divest themselves of their entire shareholding in the company.

Malhotra empire's cracks

The foundations of one of the most durable monopolies in the history of Indian industry are beginning to show ominous cracks. The business house of Malhotra, which has defied the efforts of various monopoly commissions as well as the biggest names in the safety blades industry worldwide to cut into its 80% share of the national blades market. is experiencing a fratricidal war which could finally end its reign.

According to reliable sources within the consumer products market, V.P. and S.N. Malhotra on one side and R.K. Malhotra, the three sons of Harbans Lal Malhotra — the founder of the house of Malhotra — are engaged in bitter disputes which have resulted in the informal 'partition of India' for marketing purposes between the two groups.

But even as acrimonious negotiations are being conducted to divide the numerous brands of razor blades and shaving systems manufactured by the House of Malhotras *inter se*, the partition arrangement has failed. The two parties are sabotaging the agreement by refusing to restrict their sales to their agreed areas.

The break-up of the Malhotra monopoly which has successfully defied even the efforts of Hindustan Lever, the formidable R.P. Goenka-Wilkinson (UK) and S.K. Poddar-Gillette combination may well be achieved by the brothers Malhotra themselves.

And not a day too soon either.

Airline politics

Ever since the terms of the boards of directors of Indian Airlines (IA) and Air-India expired simultaneously in the last week of July, a major reorganisation of both public sector undertakings at the topmost levels has been awaited with bated breath. That the ebullient minister of state for civil aviation Jagdish Tytler who has been quick to learn the ropes of the civil aviation business, has been eager to revamp the boards has been fairly obvious to domestic monitors of the aviation scene. Tytler who is himself on probation as he copes with a subject dear to the prime minister's own heart, was rather unhappy about the considerable spheres of unchallenged influence carved out by the two pilots turned managing directors — Captain Kamni Chadha of IA and Capt. Dhruba Bose of Air-India.

Matters came to a head when the two managing directors individually opposed — with consummate logic and skill — Tytler's ill-advised idea of merging the two airlines. Only the prime minister's personal backing managed to get the scheme off the ground, something that Tytler is not likely to forget easily.

Certainly his opposition is likely to cost Bose dear. According to aviation scene observers who are unusually tight-lipped, an NRI successor has already been found for the position of managing director of Air-India. An informed guess is that Harsh Bhargava, a high-flying professional manager who did a stint with one of the companies of the DCM group after quitting the IAS, has been tipped for the job.

Bhargava who currently works in a blue chip US firm reportedly met the prime minister himself a while ago in the US. The PESB is reported to have cleared his candidature ahead of C.L. Sharma, the deputy managing director of Air-India and ex-IAF officer Air Vice Marshal Seth. In addition it is more than likely that a common chairman for both the airlines will be nominated so that the merger proposal can be pushed through.

With the boards of both airlines likely to be packed with management professionals, the experiment of appointing blue-blooded pilots as chief executives of the nationalised airlines may also be coming to an end. Consequently the stock of Vayudoot chief executive Harsh Vardhan, who is rated very highly by the current administration, is likely to soar.

Professional managers rather than pilots-turned-managers appear to be in favour in the New Delhi *darbar* these days.

Madura Coats' auction

A slice of the equity shareholding of the Madurai-based fan and V-belts and synthetic rubber coats and aprons manufacturing company Fenner (India) is up for sale, and some of the biggest names in Indian industry are engaged in making hectic bids and counter-bids. This is the consequence of a decision taken by another Madurai-based company Madura Coats, to divest itself of its 26% shareholding in Fenner (India). The announcement has galvanised several well known groups and individuals in Indian industry to put in their bids for Madura Coats shareholding. Among them — the M.P. Jalan-D.P. Dahanuka and B.P. Jalan-Ashok Jain combines as well as the Chemplast group and MRF Tyres.

Punters within the corporate sector in Madras say that the front-runners are the B.P. Jalan-Ashok Jain combine and the Chemplast group.

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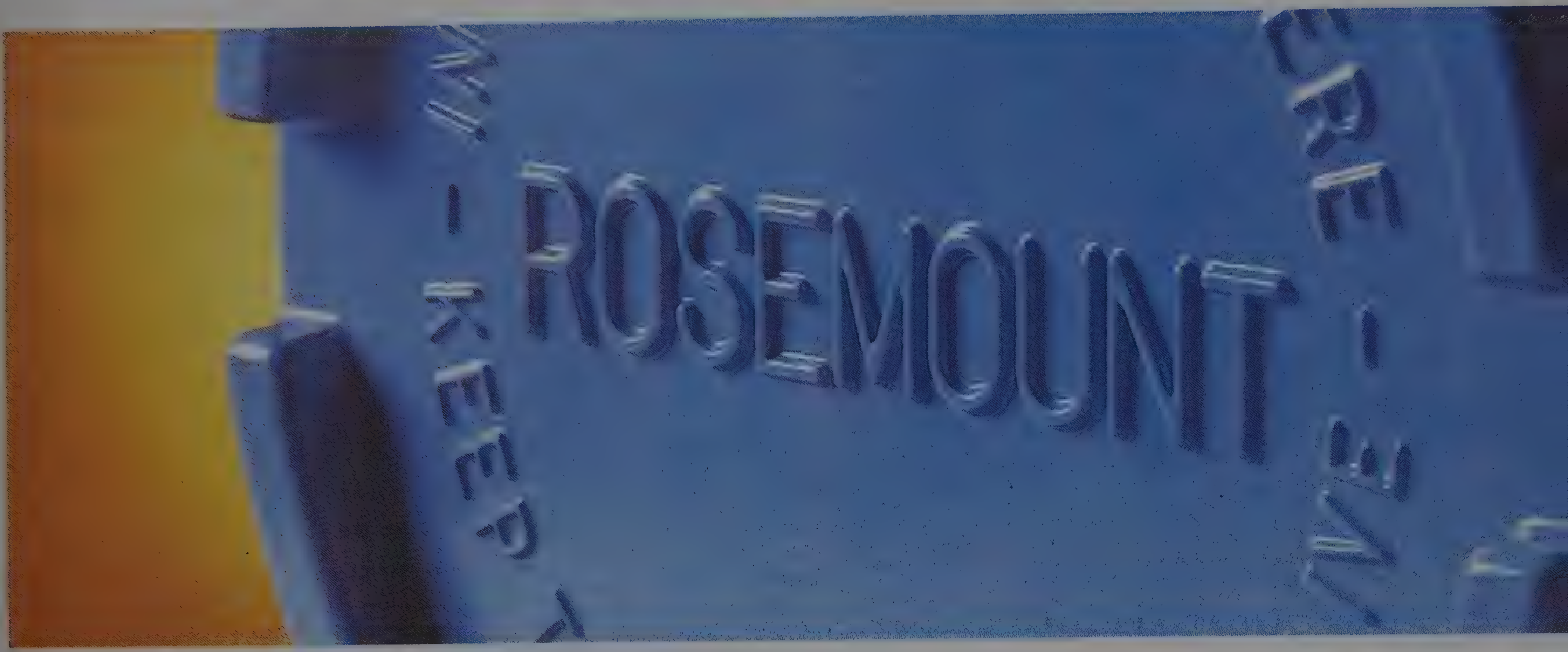

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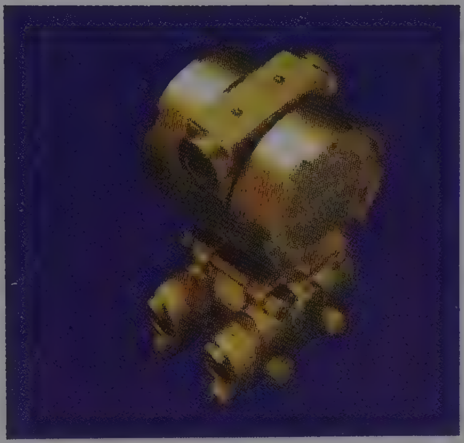

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VOLUME 6, ISSUE 13 SEPTEMBER 15-28, 1986 Rs.5

BusinessWorld

the magazine for Indian business

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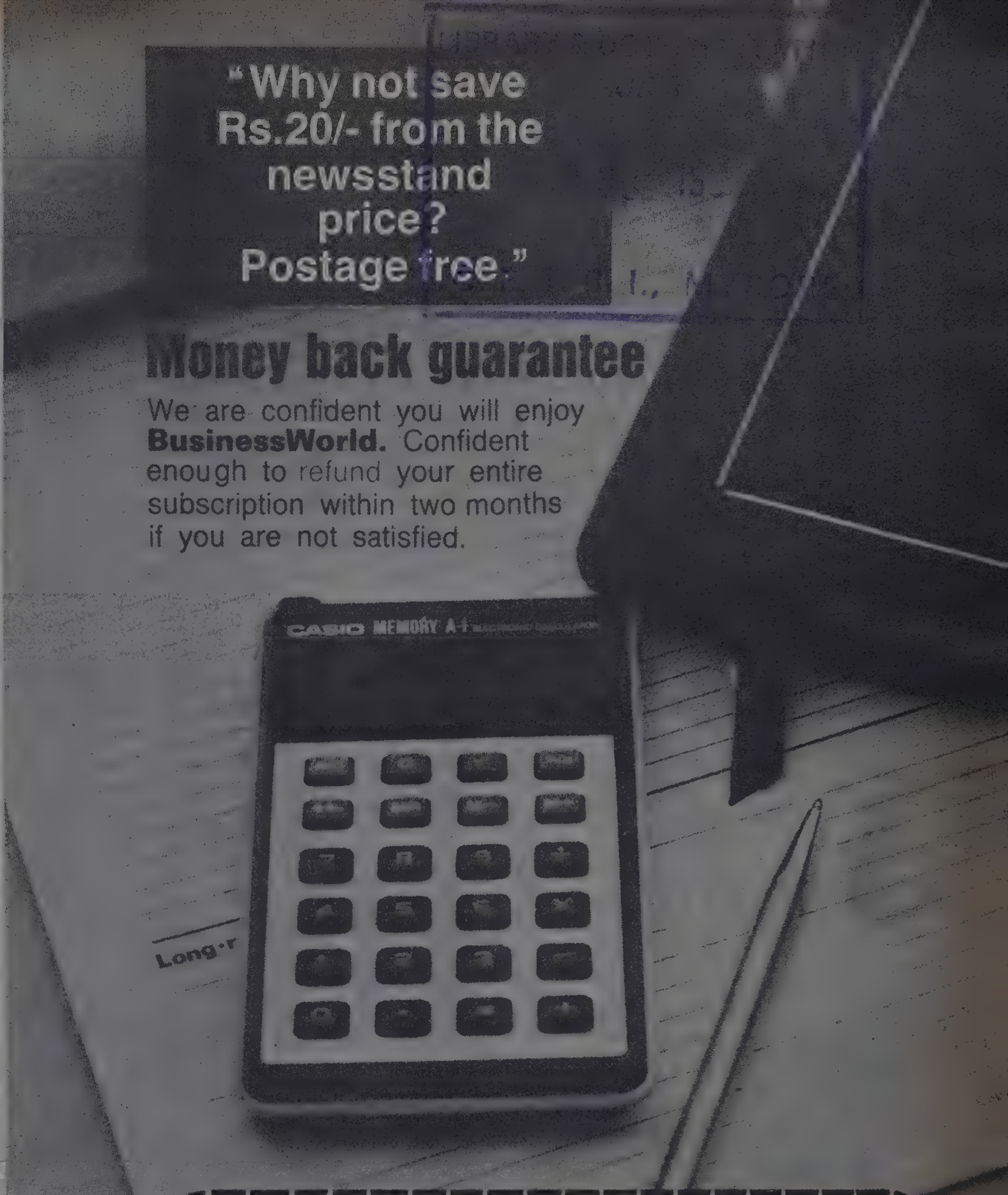
Inland Subscription Rates
One Year 26 issues Rs 110
Two years 52 issues Rs 220
Three years 78 issues Rs 330

BusinessWorld does not accept responsibility for returning unsolicited manuscripts and photographs. All unsolicited material should be accompanied by self-addressed envelopes and sufficient postage.

Published for Ananda Bazar Patrika Ltd. from 145 Atlanta, 209 Ceremonial Boulevard Nariman point, Bombay 400 021 by Ranen Chakrabarty and printed at Printwell, Laxmi Mills Estate, Off Dr. E. Moses Road, Mahalaxmi, Bombay 400 011



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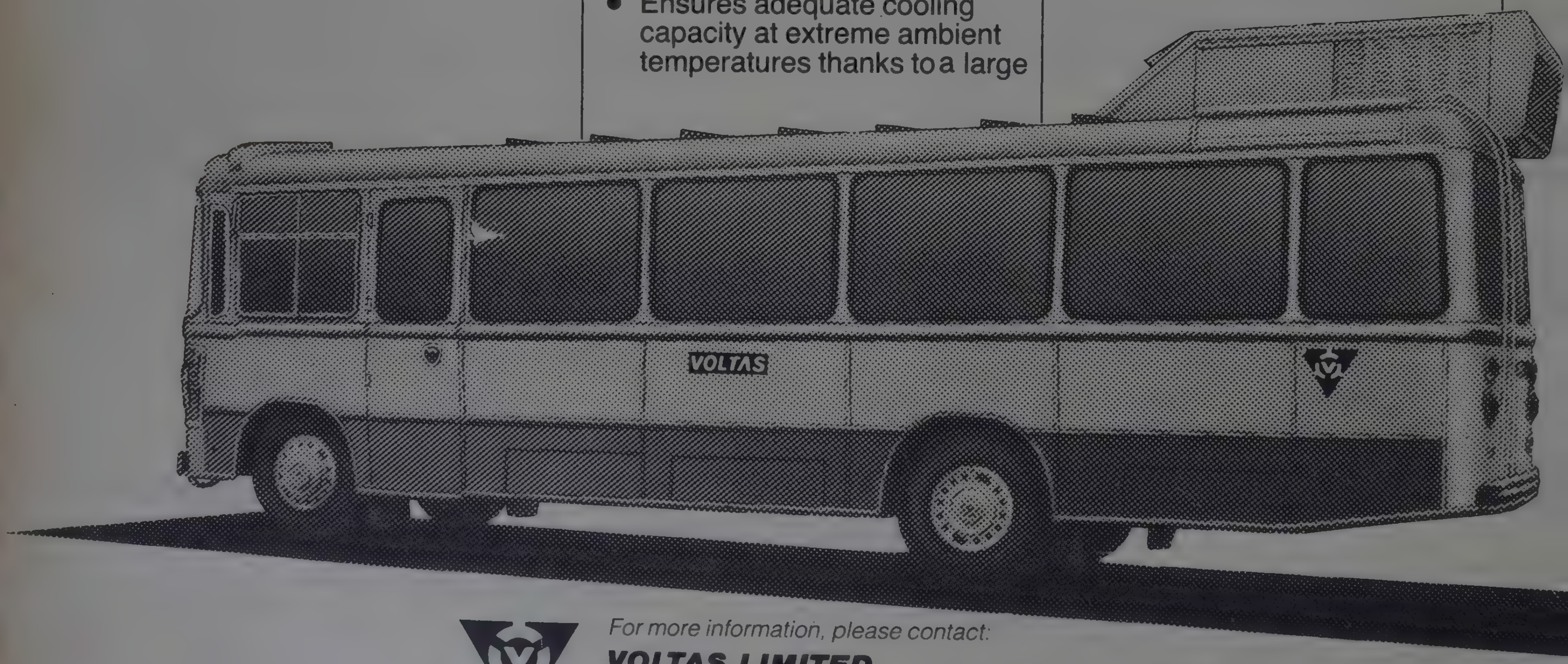

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CLARION/B/V/82/254

With the sharp upswing in automobile production — the confusing automobile policy statements emanating from New Delhi notwithstanding — not a few of the more ambitious among the indigenous tribe of industrialists are exhibiting more than an ordinary interest in automobile ancillary industries. Consequently, it is hardly a matter of surprise that there has been a stream of Indian businessmen visiting Chloride House, London, ever since the Chloride Group plc — which owns 51% of the equity of the Calcutta-based Chloride India Ltd. (CIL) — indicated that it would be receptive to bids for its shareholding in CIL.

But given this country's rigid foreign exchange laws, the scope for indigenous takeover tycoons acquiring a controlling interest in CIL is somewhat limited. Particularly since the Chloride Group is asking for £50 million (Rs. 92.50 crores) in hard currency for its shareholding of CIL. Consequently the front runners in the race are non-resident Indians and those among true blue foreigners who believe that the Indian economy has a future. Those in the race include the Dubai-based entrepreneur Manu Chhabria, a group of Hong Kong-based NRIS and the British company Hawker Siddeley.

According to some industry monitors in Calcutta who have their ears particularly close to the ground, the chances of Hawker Siddeley which has an equity interest in Oldham Batteries, UK, which in turn has an equity shareholding in Standard Batteries, India, in which B.M. Khaitan has a controlling interest, are rated the highest. Thus, through a circuitous route Khaitan may acquire management, if not equity, control of CIL.

In the meanwhile, the highly profitable CIL which boasts perhaps the highest pre-tax to net sales ratio in Indian industry, is experiencing several internal changes. Jahar Sengupta, chairman and chief executive of the company for over 15 years is likely to call it quits on 31st March next year. A successor has already been identified and appointed managing director. Simultaneously, the Calcutta-based company is gearing to maintain its enviable profitability in the face of a rising tide of competition. *BusinessWorld's* Calcutta-based assistant editor, Debjani Sinha has filed an informative Cover Feature on the currents of change that are eddying around Exide House in downtown Calcutta.

And in our Spotlight feature, *BusinessWorld's* special representative Sujoy Gupta kicks off the first of a series of features on India's new post-Independence generation of industrialists who are making their mark on the economy.

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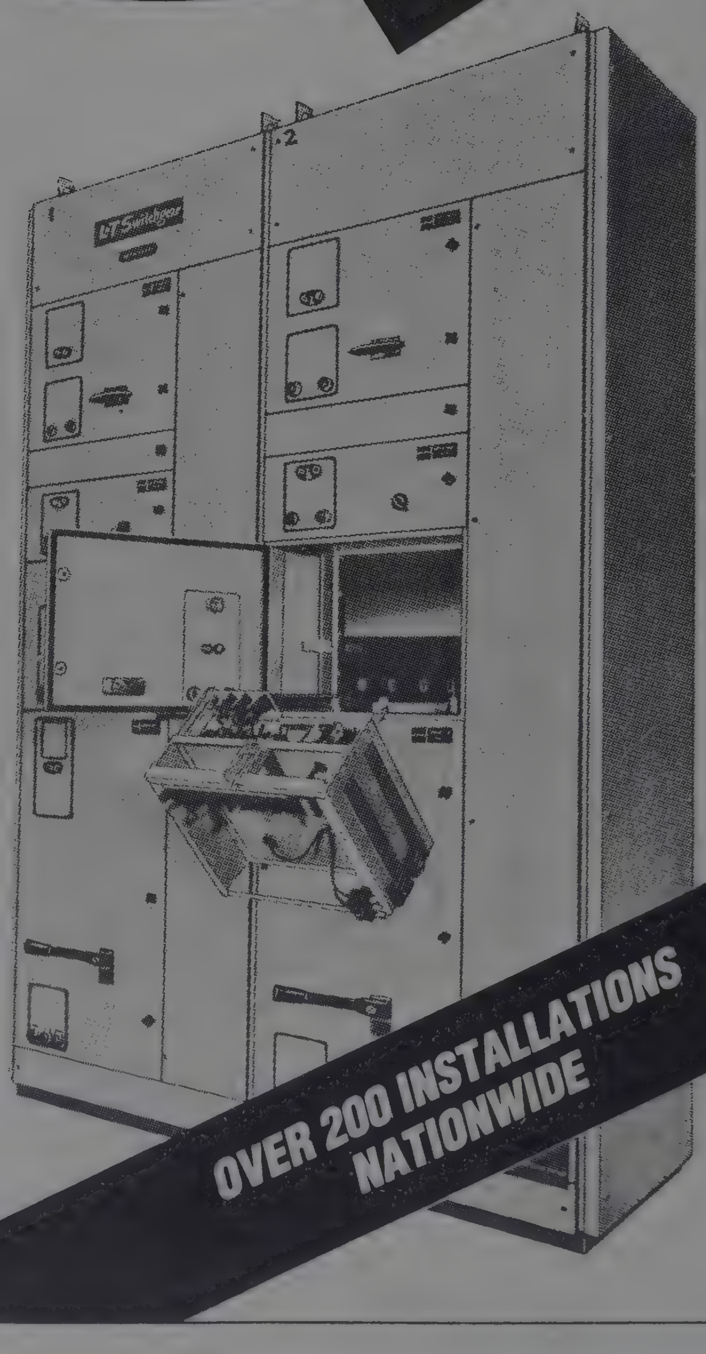

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BusinessWorld
September 15—28, 1986

South Africa: a need for quiet diplomacy

Given her status as a co-founder of the Non-Aligned Movement (NAM), India legitimately deserves her front rank position — as was duly conceded at Harare last week. But after all the bluster at the eighth non-aligned meet held in the capital of Zimbabwe which concluded its somewhat prolix deliberations on 4th September, the time is now ripe for calm stocktaking.

Not entirely without reason, emotions ran high at the summit where 101 heads or representatives of sovereign states and governments — which professedly maintain an equidistance from the two big powers — confabulated on how best to tackle the "dying whiplash of apartheid." As the outgoing NAM chairman, India's prime minister Rajiv Gandhi's position at Harare was one of pre-eminence. Using strong language — and thus eloquently articulating the disgust with which rational humanity undoubtedly holds the practitioners, aiders and abettors of apartheid — Gandhi somewhat predictably urged the non-aligned comity to hasten the process of ushering in a new international economic order.

Yet it is one of the recognised lessons of history that rhetoric (especially the variety tinged with self-righteousness) needs to be followed up with a decisive plan of action which requires a spirit of sacrifice. The history of India's non-violent struggle for independence offers a good example. Neither poverty nor subjugation — or, to put it differently, neither economic nor political deprivation — stopped the previous generation of Indians from wresting their freedom and dignity. The reason: even the poorest of the poor among the citizenry was not only eager and willing to act and suffer, but was also ready to sacrifice his mite if necessary. This spirit of sacrifice successfully fuelled India's struggle for freedom and equality.

Thus far, there are precious few signs that the otherwise voluble member nations of NAM are eager and willing in a similar fashion to go the proverbial extra mile — and thereby lift their movement onto a higher plane. Consider, for instance, one of the main planks of the drive to isolate South Africa, *viz.* economic sanctions. Rajiv Gandhi grandly told the plenary NAM session: "Legally and morally, the imperatives of international order impose on the international community the obligation to collectively enforce comprehensive mandatory sanctions." He ambitiously urged the non-aligned fraternity with a touch of fire to go ahead with sanctions regardless of whether the rest of the international community is prepared to go along with it.

From the same platform, though, incoming NAM chairman and prime minister of the frontline state of Zimbabwe Robert Mugabe immediately tempered Gandhi's call by advocating only "selective voluntary sanctions."

Nor is it too difficult to appreciate the unfortunate dilemma which confronts the frontline states of Africa. Botswana provides a good example. In the calendar year 1985, this landlocked nation enjoyed its first trade surplus ever, an improved balance of payments situation and foreign reserves which rose to record levels. This happy situation was entirely due to higher diamond export earnings. In money terms, diamonds accounted for 71% of Botswana's foreign exchange earnings last year. The catch is that all of Botswana's three diamond mines are managed by the South African diamond mining conglomerate De Beers, and the entire production is marketed by the latter's London-based Central Selling Organisation.

Tough questions

It is patently obvious that Rajiv Gandhi's exhortation for "comprehensive mandatory sanctions" must have rung hollow in the ears of the delegates from Botswana. Certainly, Botswana is in no position to enforce such sanctions. Indirectly, neither is India. As much as 70% of Botswana's hard currency inflow is earned from diamond sales to India. Can, or will, India ever stop these purchases — and thereby deeply hurt its ally, Botswana (and India's own diamond export trade) — on the grounds that the diamonds are tainted with South African connections? Before strutting up frontstage to prescribe a panacea for ridding the world of apartheid, India ought to have found answers to tough questions such as these. For though it is understandable for strong emotion to dictate the heart, for it to rule the head is less defensible.

And surely it would be neither churlish nor unfair to say that India's attempted leadership of the world's numerically strongest, albeit least influential, power bloc fails to pass muster on the touchstone of originality. Sanctions against South Africa have a history running back over a quarter of a century. Some 27 years ago, in 1959, an unrepentant South Africa was expelled from the Commonwealth. A year later, the pariah white regime which rules South Africa was expelled from the United Nations as well.

Two and a half decades later, the South African economy seems to be as healthy as ever. In the first quarter of calendar year 1986 (the latest for which figures are available) South Africa's export and import tallies added up to an impressive $7.43 billion (Rs. 9,300 crores). Clearly, business is booming. Much less than 10% of this quarterly turnover was contributed by transactions with Asian, COMECON or other African countries. Unilateral sanctions by the non-aligned, even were they to be imposed, would be as irrelevant as fleabites on an elephant's hide.

Apartheid is a hateful doctrine and it must go. It is also just and right that representatives of the majority of its population rules South Africa — for better or for worse. But NAM and India must work realistically to attain this goal — with greater finesse and less concern for the arc lights. On this score it would be advisable to learn a lesson from the Soviet Union, a past master at exercising mind-bending influence and yet remaining unseen and unheard.

Stale prescriptions

A quiet marshalling of diplomatic and other resources rather than declamatory condemnations ought to be India's anti-apartheid strategy, given this nation's obvious disinclination to lend more than moral support to the anti-apartheid movement. The danger of opening one's mouth too wide is that one might end up putting one's own foot into it. Loud advocacy of comprehensive and/or unilateral sanctions which the whole world knows are stale and ineffective prescriptions — in any case, the will to make sacrifices is conspicuously lacking in the member nations of NAM — is about all that India has done.

Already, the new chairperson of NAM — the more mature Mugabe — is treading with circumspection and caution. It might help Rajiv Gandhi's international leadership ambitions to watch him at work.

BusinessWorld
September 15—28, 1986

Premature feature

SIR—Your Cover Feature on A.N. Haksar's creative retirement (*BW* July 7-20) is untimely. All the projects planned by him and described by you are in a state of flux, and the pages were replete with his magnificent plans. The article read more like an ad. If you had worked on such an article one year hence, each plan could have been evaluated in terms of success or failure, thus being a valuable commentary on this worthy doyen of Indian industry.

Of course it has been proved beyond reasonable doubt that Haksar's mind is already in the 21st century; so advanced is his thinking. He is to be admired for his far-sightedness and general acumen. But as an outsider looking in with a certain amount of knowledge and some measure of speculation, I feel that whereas Haksar's strength is in his creativity, his weakness is that he hands over brilliant ideas to people who may not prove competent to transform them into realities. Haksar has depended on this "old school tie" and his "faithful old guards" rather than selecting project implementors unemotionally.

Your vague observations on the electronic city leaves one with little to comment. Haksar's knowledge on tourism and hoteliering is beyond reproach but will Ram Gupta, whose bio-data says little, measure up? Real estate is another aspect of Haksar's plans and with unlimited finance available to him through his long term friends, the Agarwal group, a magnificent dream can be converted into concrete structures. But why choose a Canada-based architect whose bio-data boasts only one project in India and that too under the auspices of Haksar when he held the stewardship of ITC? What are Ramesh Khosla's Canadian achievements, if any?

Haksar's desire to forsake professionalism in favour of settling old debts and propping up the old faithfuls is best seen in the marketing company where his top management team comprises all 'on-the-shelf' persons from Virginia House. The situation is not improved by the fact that the financial wizardry of Anil Bery is limited to a foreign degree.

Time will tell, but as things stand now, unless Haksar takes charge of the day-to-day nitty-gritty of all his projects, his creative retirement may not be as glorious as his lifetime achievements which, as everyone knows, can only be attained by the type of extraordinary professional he is.

An annonymous admirer
Calcutta

Explaining CMC's success

SIR—Congratulations for the excellent Spotlight feature (*BW* August 4-17) on CMC. However there was no need for you to denigrate the former managing director P.D. Jain who also has contributed in no small measure to the success of CMC Ltd.

I have been closely following the progress of CMC ever since its inception. Considering that most of the corporation's key executives come from IBM, it is not at all surprising that CMC has done so well in the past decade.

The main reasons for this in my opinion are: (i) A group of highly dedicated professionals in key positions, who have stuck with CMC in spite of the very lucrative offers they continually receive from computer companies in the private sector; (ii) an informal system of management which is a far cry from most other companies in the private as well as the public sector, based as it is on respect for the individual and mutual trust and goodwill and a high level of delegation of authority down the line; (iii) excellent hygiene factors in their workplaces. Each of the offices of CMC is designed uniquely and offers, in my opinion, the best work atmosphere compared to any other company in the country. (iv) People-oriented personnel policies, including appraisal and counselling systems for performance evaluation based on clear goals and objectives for people down the line, that motivate; and (v) excellent corporate, product and employment advertising campaigns that have created in their totality a very good corporate image for the company.

My compliments to Dr. Gupta and his team for an excellent job well done.

Shashi Ullal
Bombay

Public sector disappointment

SIR—Your forthright and thought-provoking editorial on public sector enterprises (*BW* August 4-17) has appropriately underlined the need for the public sector to improve its performance, particularly in the context of the incumbent government's admission of the distortions prevailing in this sector and the urgent need to avoid earlier errors in its policies towards the public sector. You have also aptly averred that in the context of the public sector undertakings coming out with bond issues, the accountabilty of these public sector organisations is all the greater.

It is indeed a sad fact that despite hopes raised at the time when nationalisation was demanded that things would be rosy once the public sector attained the commanding heights of the economy, the common man is worse off for widespread nationalisation.

There are men in the insurance and banking sectors who, as old-timers, feel that things were much better in those reportedly wicked private sector days. Extraction of work was easier, service was voluntary and rapport with customers and clients was excellent. Woefully, today nobody bothers about any such need for building relationships though much paper work, seminars and conferences are conducted to impress upon the men who matter about the crying need for a change in outlook.

Motivation, removal of sectional and vested interests, identification of priorities—all these will have to be given prime importance if the powers that be really want to improve the performance of the public sector undertakings.

Dr. T.S. Shankaran
Bangalore

Qualitative indifference

SIR—This has reference to your editorial 'Declining foreign exchange resources: inertia in the export drive'(*BW* July 7-20). Indian industry can never hope to achieve a breakthrough in the first world markets if we continue to look for second best machinery. Our goods will never be acceptable in Europe and the US if we do not emphasise quality. We are always on the lookout for machinery that will produce the goods—but at the cost of quality.

With our endless resources of skilled, cheap, technical labour, there is no reason why we cannot produce high quality goods and make a dent in the markets of developed countries if we are prepared to buy the best machines available to produce high quality goods.

To take an example of what I am trying to drive home, let us look at West Germany. It has a 17% share of world trade compared to the 20% share of the US, while having no more than a quarter of the population of that nation. Thus, in per capita terms its exports are almost four times that of the US and twice that of Japan. Why?

The much talked about German work culture is not the only answer. Then what is? Germany's success is a direct result of its commitment to quality and technology. German investment in plant and machinery is 30% higher than America's. Some German companies have invested all their profits in the last decade buying the best available equipment. The Indian industrialist knows that he has a huge captive domestic market, so hang the quality. Anything will sell—and unfortunately it does.

Our efforts to modernise have not met with any resounding success because the emphasis so far has been on producing new items, not quality items. As all European salesmen have learned to their cost, the refrain from an Indian customer is always, "But Mr. X, your equipment will do the same thing as the machine from country Y, maybe better, but your prices are too high."

As long as Indian industrialists do not change their penny-pinching attitude and seriously start viewing the world as a marketplace, the 'Made in India' sign, already a rarity, will disappear completely. And that bodes ill for the Indian economy already burdened with a huge balance of payments deficit.

V. Sengupta
New Delhi

NRI consultancy folly

SIR—The news (*BW* August 4-17, p.15) that the Union minister for industry has confirmed the formation of a joint venture consultancy company for public sector enterprises with NRIs holding 51% of the shareholding and public sector enterprises 49% of its capital of Rs. 25 lakhs, is surprising as well as painful. It is surprising because most of the heads of public sector companies are educated in foreign countries and must know about administration as well as technology. If so, why this consultancy company which has demoralised public sector managers? It is contradictory that we are running to the US to learn management while the US is losing its position of dominance to Japan.

Management advice cannot be given by professionals either since politicians want to control the management of public sector enterprises, and no amount of expert consultancy advice is likely to change this reality.

True, the Planning Commission wants the public sector to contribute to the Seventh Plan and foreign moneylenders want this as well. But for this we need heart searching, not foreign advice. It is well known that public sector enterprises are failures because sick units have been taken over only to please the trade union bosses for political gains; that over-manning was resorted to to oblige party followers; and outdated technology has been imported due to political reasons. Therefore the solution is to denationalise the public sector units to reduce the importance of politicians.

We are talking so much of entering the 21st century. But instead of indulging in window dressing let us cut our coat according to the cloth and then only we shall be a strong nation and bequeath a gift to our children. We are already paying 21% of our export earnings to service our foreign debt. Can we afford to pay more, is a question which our government should consider seriously before allowing further erosion of our foreign exchange reserves by appointing NRI consultants. Otherwise our children are likely to say that the "bananas have been eaten away by our parents leaving only the skins for us."

Panna Lall Mundhra
Calcutta

One Kothari clarifies

SIR—In your Offstage item (*BW* August 18-31, 1986 p. 100) under the heading 'Kothari Priorities' you have stated that "the Kothari group of companies which has established a sizeable presence in the textile, tea, sugar, fertiliser and chemicals businesses down south, has reportedly run into a cash flow problem." In addition the report also stated that "the Kothari Industrial Corporation (KIC), the flagship of the group sold two of its tea plantations in the south, reportedly to raise the finance to subscribe to the equity of an ambitious food processing project..."

We wish to state that Kothari Industrial Corporation does not own any sugar factories and the sugar interests are managed by a separate public limited company under the name and style of Kothari Sugars & Chemicals Ltd., under the chairmanship of the undersigned. This company does not have any cash flow problem, since its profitability is of the order of about Rs. 1 crore per year. We shall, therefore, be glad if you could kindly publish a suitable correction to clarify this point to your readers in your next issue.

H.C. Kothari, Chairman
Kothari Sugars & Chemicals Ltd.
Madras

Unfortunate remarks

SIR—This has reference to the article on 'Information centres' by P.V. Satyanarayana (*BW* July 21-August 3, p.60) wherein he has made certain remarks about the library of the Indian Merchants' Chamber, which are, to say the least, most unfortunate.

Mr. Satyanarayana has acknowledged in his article that the library contains a sizeable collection of directories and publications, apart from newspaper clippings. The fact that the library has been able to acquire such useful material over the years and makes it available to the public and the way the clippings on more than 500 subjects have been maintained, show that dedicated efforts have been made by the staff to see that the library lives up to its high expectations.

I may state for your information that the librarian has more than 30 years' experience to his credit and has a qualified library science graduate working under him. Having said that, I would suggest that Mr. Satyanarayana should feel free to meet me one of these days to give his own suggestions on this subject so that the library can render better service to the public.

Ramu Pandit
Secretary-general
Indian Merchants' Chamber
Bombay

P.V. Satyanarayana replies:

I am grateful that a person of Mr. Pandit's eminence has reacted to the article. The statement in the article has not been made in a derogatory sense and I regret that Mr. Pandit's sentiments have been hurt. I have been utilising the IMC library since 1977 and have been finding it particularly useful. The library offers free access and the staff is extremely cooperative. Special mention needs to be made of the library's collection of trade directories which is possibly the best under any single roof in the country.

However it also needs to be said that valuable trade directories are often scattered all over the library, many of them in a damaged condition. Further, the library lacks a proper indexation system and trade directories are often untraceable on the very day after being taken into stock. Such instances are quite frequent. This is one experience which prompted me to say that the administration of the library requires a higher degree of professionalism. In the contemporary context, library personnel are not mere custodians of books, but have a larger role to fulfil in providing information to scientists and disseminators.

Despite this criticism I would like to acknowledge the yeoman service rendered by the IMC library to Indian business.

AUGUST 23

Two Airbus A-300 aircraft taken on lease by Indian Airlines from France, arrived in Bombay (*BS*)

AUGUST 24

Striking employees of the main telephone exchange at New Delhi returned to work. The employees had gone on strike following the alleged misbehaviour of former Union home minister P.C. Sethi inside the exchange building (*FE*).

India was fined Rs. 44 lakhs for boycotting the 13th Commonwealth Games in Edinburgh (*ET*).

AUGUST 25

The Union government has decided to appoint an advisory committee comprising representatives of consumer associations, voluntary organisations, the pharmaceutical industry and trade and medical experts to discuss problems relating to drugs and pharmaceuticals (*ET*).

A volcanic gas leak killed at least 1,500 people in Cameroon, Africa.

AUGUST 26

The Union finance minister announced the reduction of customs and excise duties on a number of items. Accordingly, the excise duty on electrically operated trolley buses and battery powered rate vehicles was reduced from 25% to 10% *ad valorem* (*ET*).

AUGUST 27

The railway board has decided to set up an inland transport corporation and a container corporation to improve the railways' transportation strategies as recommended by the Railway Reforms Committee.

AUGUST 28

The Union finance ministry announced a Rs. 150 crore programme to provide bank loans to the very poor in urban areas for self-employment purposes.

Reliance Industries reduced the premium proposal on its fully convertible debentures from Rs. 190 to Rs. 115.

AUGUST 29

The government increased the procurement price of paddy by Rs. 4 a quintal. The common variety as a result, now costs Rs. 146 a quintal.

AUGUST 30

The Union government has decided to amend the labour laws with a view to freeing the workers from the stranglehold of 'outside' professional trade union leaders. This will facilitate the growth of internal leadership capable of holding direct dialogues with the management (*ET*).

AUGUST 31

Zimbabwe has asked India for an Indian squadron of Mig 21 aircraft to defend the vital Beira corridor (*BS*).

SEPTEMBER 1

The eighth non-aligned summit was declared open by India's prime minister Rajiv Gandhi at Harare, the capital of Zimbabwe.

The finance minister V.P. Singh announced three new life insurance schemes, a significant reduction in the premium rates for policies and an increased bonus to the policyholders on the eve of the 30th anniversary of the nationalisation of the Life Insurance Corporation.

SEPTEMBER 2

The government has decided to take measures to revive sick units by toning up the existing administrative machinery (*ET*).

Prime minister Rajiv Gandhi pledged India's full support to the frontline African states as they face "the dying whiplash of apartheid."

SEPTEMBER 3

The Centre has extended Maharashtra's cotton monopoly procurement scheme by another three years (*ET*).

The US State Department accused the non-aligned summit gathering at Harare of being politically biased and anti-American.

SEPTEMBER 4

The Union finance minister V.P. Singh directed the chairmen and managing directors of all public sector banks to ensure that no middlemen were involved in the self-employment scheme (*ET*).

SEPTEMBER 5

Four unidentified youths hijacked a Pan American (Pan Am) jumbo jet which had taken off from Bombay with nearly 400 people on board of which 200 were Indians, at Karachi Airport. Th youths demanded that the aircraft b flown to Larcana in Greek-controlle Cyprus. According to reports, sever passengers were killed in the crossfi when the Pakistani commandos storme in to recapture the aircraft.

BS=Business Standard, ET=Th Economic Times, FE=Financial Expres

NEXT FORTNIGHT

September 15-27
Training methods and skills-6
Venue: Bella Vista, Hyderabad
Organisers: Administrative Staff College of India, Hyderabad
(Tel: 36956)

September 16-26
Computer concepts and applications
Venue: IIPM, Calcutta
Organisers: Indian Institute of Port Management, Calcutta (Tel: 459720)

September 20
Entering the capital market
Venue: Welcomgroup Adyar Park, Madras
Organisers: Madras Management Association (Tel: 478311)

September 22-October 10
Maintenance management
Venue: CIRT, Pune
Organisers: Central Institute of Road Transport, Pune (Tel: 83478)

September 25
Speedier implementation of projects
Venue: Hotel Welcomgroup, Vadodara (Baroda)
Organisers: Western India Chapter of CHEMTECH Foundation
(Tel: 2042044)

September 26-28
Stores management
Venue: Welcomgroup Adyar Park, Madras
Organisers: Institute of Public Relations and Management, Madras
(Tel: 450936)

September 29-October 4
Management of R&D systems-18
Venue: Bella Vista, Hyderabad
Organisers: Administrative Staff College of India, Hyderabad
(Tel: 36956)

September 30
A day with Drucker (Film discussion programme)
Venue: Taj Mahal Hotel, Bombay
Organisers: Bombay Management Association (Tel: 2049698)

APPOINTMENTS

MANAGING DIRECTOR

Maharashtra
Ref: MSB 290

Salary and perquisites will compare with the best offered in India

We have been retained by a well known and reputed Company which is an associate of a major Multinational in an internationally known group to advise on the appointment of a Managing Director. The Company is the market leader of its main product and has extensive activities in related industry products.

The right candidate will be an established business leader and possess exceptional general management skills with a proven track record. A technical background with experience in light engineering industry would be an advantage. Besides overall management of the current operations, the incumbent will be responsible for the formulation and implementation of growth strategies which will entail interaction with Government and Industry both in the Public and Private Sector. He will study the business conditions emerging in the environment and ensure that the Company seizes opportunities for profitable growth. The position is at a medium sized city in Maharashtra.

The Managing Director will report to the Board of Directors. Salary and perquisites package which includes excellent housing facility, car and driver, will compare with the best offered in India. Preferred age is 48 years.

Applications furnishing complete details of qualifications, experience, age and salary should be forwarded within 10 days to:

Director
Price Waterhouse
P.O. Box 462, Bombay 400 001.

Applications and envelopes which MUST be marked with appropriate reference number will be treated in the strictest confidence. Candidates who are being considered will receive an intimation within one month.

APPOINTMENTS

MANAGING DIRECTOR

Madras

South Asian Financial Exchange (SAFE) is a new company promoted by a blue chip roster of leading industrial groups. SAFE has tied up the active management, financial and advisory support of Elders Finance Group (part of Elders IXL) Australia. SAFE will provide a wide spectrum of financing and financial services such as industrial financing, venture capital, hire purchase and cross border leasing, acting as financial consultants, money managers, etc. The initial share capital will be Rs.5 crores with 60% of it being intended to be issued to the general public.

SAFE now wishes to appoint its Managing Director who will mould and implement the ambitious plans for making it the premier financial services institution in the country.

Applications are invited from outstanding professionals who have the experience and reputation for achieving the set objectives in an environment of innovativeness, coupled with the highest standards of integrity and probity.

The remuneration package will be in line with best current practice.

Please write in confidence to:

A.F. Ferguson Associates
32 Nungambakkam High Road
Madras 600 034

Ref: MS/4267

APPOINTMENTS

ASTRA ASTRA ASTRA ASTRA ASTRA ASTRA ASTRA

ARE YOU ACCOMPLISHED ENOUGH TO JOIN OUR YOUNG MANAGEMENT TEAM?

President (42)
MBA

Technical Controller (39)	Financial Controller (35)	Medical Advisor (38)	Marketing Manager (34)	General Sales Manager	Human Resources Manager/ Company Secretary
M. Pharm Ph.D.	FCA	MBBS MD	PGDBM	**VACANT** 10 Years Field Force Mgt.	**VACANT** Personnel Mgt., ACS.

We are only 5 years old with ASTRA of Sweden and IDL of Hyderabad, having equal shares (together 51.5%), the rest owned by 17,000 shareholders.

ASTRA is the largest pharmaceutical company in the Nordic Region and markets its products in over 120 countries. Group turnover in 1985 amounted to Rs. 1250 crores. ASTRA are leaders in research in the areas of cardiovasculars, local anaesthetics, respiratory agents and antibiotics and have a stable of new products of original research which are the envy of larger multinationals.

The ASTRA-IDL pharmaceutical plant is amongst the most modern in South East Asia. Over the last 4 years, sales of ASTRA-IDL have increased four-fold from Rs. 3.6 crores to over Rs. 14 crores and for the last 18 months, ASTRA-IDL has consistently been the fastest growing multinational in the Indian Pharmaceutical Industry. Our rank has advanced 13 places from December '81 to date.

Behind this phenomenal success lies an extraordinary young team of hitech 'can do' people who have already laid the ground work for diversification into the fields of Genetic Tools, Fine Chemicals, Self Medication and Food Product Divisions. While some of these projects are in the early implementation phase, others are at the project stage.

You are not yet proof of Peter's Principle.

Now, how would your colleagues respond if asked these questions about you:

Do you manage your field force from the comforts of your airconditioned office? Do you go on tour, summon your underlings to your hotel room and exhort them to do better, rather than show them how, by example? Is it below your dignity to demonstrate the first model detail of a product launch? Are you more at home with stockists than with physicians?

Do you dismiss formal qualifications in Personnel Management and Company Law as unnecessary? Do you think the Personnel Dept. should behave like an Anti-Personnel Dept.? Do you look at issues from a strictly legal angle, ignoring opportunities in problems?

If your colleagues answered 'Yes' even once, to use the current euphemism, 'You need not apply'. You will find the interview disconcerting.

However, if you are today working in an environment, where initiative is stifled because it is a threat to top management, where yes-men are promoted, where information is used as a concealed weapon and the Management Committee resembles a Masonic Lodge, where senior managers are sent on courses to qualify them for senior management, whereas you are kept down because you are qualified.

AND if you think you could add momentum to what has been a 4 year roller-coaster ride up the league charts, because you are a 'can do' executive with proven abilities who wants to have fun on the job, then call or write:

President
ASTRA-IDL LIMITED
32 Crescent Road
Bangalore 560 001
Tel: 0812 — 28546, 76941

ASTRA ASTRA ASTRA ASTRA ASTRA ASTRA ASTRA

APPOINTMENTS

IPITATA

CHIEF OF FINANCE

IPITATA SPONGE IRON LIMITED, a joint sector company promoted by The Industrial Promotion and Investment Corporation of Orissa Limited and The Tata Iron and Steel Company Limited, wishes to recruit a top professional to head its finance and accounts department. The company has set up a Rs.35 crore plant for the manufacture of sponge iron in Joda, Orissa.

The incumbent will report to the Managing Director. Besides organising and running the finance and accounts department, he will play a crucial role in the areas of financial appraisal of contracts, cost control and formulation of financial policies.

Candidates, in the age group of 35 to 45 years, should be qualified chartered accountants/cost accountants/MBAs with specialisation in finance. At least five years experience at a senior level in the finance department of a reputed company is essential. Relevant experience on a large project would be an added asset.

The position calls for a dynamic, resourceful and result oriented person with exceptional professional accomplishments. An attractive compensation package commensurate with such senior level positions, will be offered. The candidate will be posted at the Regd. Office at Joda and the right candidate could be inducted to the Board in due course.

Please apply within 10 days to :

Managing Director
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XLRI Campus, Circuit House Area
Jamshedpur 831 001.

PRESSMAN

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The requirement is for its Commercial Tool Room Division at Bangalore, which is engaged in the design and manufacture of Press Tools, Jigs and Fixtures, Diecasting Dies, Plastic Moulds etc.

The post will be in the Management Cadre and the incumbent will be in-charge of the 'design and development' activities and quality assurance. He must be able to evolve suitable designs, guide a team of designers and draftsmen, liaise with customers for design approval and function of the toolings, establish standards and norms, co-ordinate with manufacturing department for proper development and try out.

Applicants should be graduates in Mechanical/Production Engineering preferably with a Post Graduate qualification in Tool Designing. A minimum of six years experience in designing of various types of Press Tools, Jigs and Fixtures and other toolings is required. Preferred age is between 30-35 years.

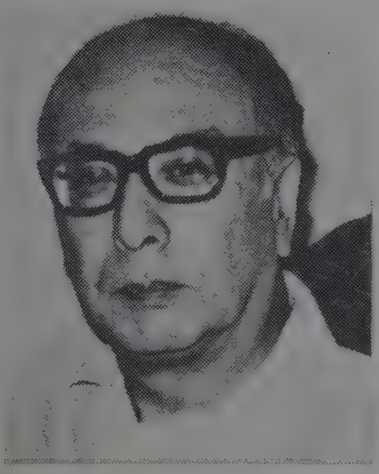
The remuneration package is attractive and will not be a constraint for the right candidate.

Apply in strict confidence within 10 days, specifying the post on the envelope to Divisional Manager (Personnel), E.I.D. Parry (India) Ltd., "Dare House", 234 N.S.C. Bose Road, Post Box No. 12, Madras 600 001.

BusinessWorld
September 15—28, 1986

Overblown world role

N.J. NANPORIA



One part of the political legacy in effect bequeathed by Jawaharlal Nehru and Indira Gandhi to Rajiv Gandhi has not only not attracted much notice but has in fact been taken a great deal for granted. This is the assumption that Indian involvement in foreign affairs, in the manner in which it has developed, is both inevitable and desirable.

Obviously in an international context of growing interdependence no country, least of all a developing one, can afford to try and live in isolation. The conduct of foreign relations is an integral part of government. But also obviously, the Indian role on the world stage often seems gratuitous, obtrusive and forward, expressing opinions that are ultimely or uncalled for, sponsoring resolutions, delivering speeches, making appeals, condemning and criticising, conferring widely, putting together drafts and oracular statements, giving interviews and generally making itself more than visible under the international spotlight.

All this feverish activity is wholly disproportionate to its outcome, to India's real position in world affairs, and to New Delhi's genuine diplomatic obligations. Psychologically the effect has been on both New Delhi and the country as a whole to create a false sense of achievement, to give plausibility to an Indian image abroad that is unreal, and somehow to see this as a compensation for inadequacies at home.

There is a usually unacknowledged yet very real equation between the resources which a nation develops at home and the status it acquires abroad as a result of this. That equation has never held good in the Indian case and no attempt has been made to acquire or restore it; and so the remarkable fact remains that nowhere in Asia or Africa or South America, among nations supposedly deeply preoccupied with the problems of internal development, is there a country so disproportionately concerned as is India with foreign affairs.

RHETORICAL PRAISE

No issue however remote from the Indian interest, however complicated or delicate, or however explosive or trivial fails, it often seems, to elicit a reaction from New Delhi, much as though India laboured under an obligation to comment on the unfolding world scene for the edification of the global community. This is a role that attracted considerable attention from the international media from the days of Krishna Menon onwards. It identified India as one of the most articulate countries of Afro-Asia. Anyone wanting what began to be accepted as a standard Asian view, found the Indian representative the most accessible and voluble and willing to provide it. The nonaligned and third world context greatly enlarged the scope for this kind of attitudinising and much rhetorical praise was showered on India for its dedication to peace and goodwill.

The roots of it can, of course, be traced to Jawaharlal Nehru's personality. His was the sort of mind which immediately placed a specific issue in a larger global context and followed its implications to wherever they led beyond the country's borders. As a humanist and visionary he was unable to keep the world at a distance and the world responded by recognising his qualities as an internationalist in the fullest sense of the term. Inevitably, independent India had an in-built bias in favour of making itself felt in the world's councils. Nehru's stature was such that the Indian voice was respectfully heard. Possibly it did do some good but it is not hazardous to conclude that the exposure India got had no relation to whatever was really achieved.

When this discrepancy became evident even to policy makers in Delhi or to India's apologists abroad, a sub-myth was propagated to the effect that India was a "moral force." The moralistic phase was also the woolliest in Nehru's tenure and it was only when the more pragmatic Indira Gandhi arrived on the scene that it was quietly ended — but not before, for example, in a typical spasm of misplaced "internationalism" the Kashmir issue had been referred to the United Nations; Menon had delivered a marathon speech of more than eight hours, and China had shown along the border that a nation's true standing is a matter of economic and military muscle and not of rhetoric and posturing in the United Nations.

STRONG MYTH

However, by then the myth of India's positive role in world affairs was much too strong for even Indira Gandhi to shake off. In time she too fell a victim in some degree to its blandishments. Missions abroad, meetings with heads of state, presiding over vast conferences, receiving foreign dignitaries, being consulted by the major powers, and identified as a leader of the third world, it was only too easy to lapse into the delusion that all this was true and worthwhile. Neither China with its staggering potential nor Japan with its steady concentration of muscle was as busily engaged on the world stage as India was. Neither offered its views as eagerly and earnestly as India did.

The intoxication this created in New Delhi survives to this day and nowhere is it more evident than in the corridors of South Block. What we now have there is a well-entrenched vested interest of people beguiled by the privileges of a world that has been founded on a myth. It nourishes a sense of self-importance, of status and ability and relevance that has no resemblance to the truth.

One of the merits of the Rajiv Gandhi administration is that it is less burdened than its predecessors with pretentions that outstrip reality. Rajiv Gandhi is not cast in the mould which the myth requires. He is neither his mother nor his grandfather. Nevertheless the myth has its own allurements; and it is unlikely that at this stage anyone in official Delhi can have the temerity to suggest that India's world role has been overblown and requires to be suitably deflated to suit its true proportions, which call for nothing more than a low profile such as the one Japan has so effectively cultivated over the years.

The point is not, as some critics have rather simplistically said, that the prime minister seems to be spending more time and energy on foreign issues and journeys abroad than on demanding domestic matters, but that there is an entire negative tradition to be jettisoned before a balance can be achieved. No one has been rude enough to say that on balance, India has for some time, been well on the way to becoming the leading international busybody.

But that is something that can usefully be pondered as much by the PM as by the mandarins in South Block. Among the countries of the third world, India has a list of intractable domestic issues even a small proportion of which should keep the PM and his administration busily occupied at home, and eschewing the pleasures of centre stage play-acting in foreign climes.

BusinessWorld
September 15—28, 1986

BANKING AND FINANCE

A.K. GANGULY

Rural banking realities

Regional Rural Banks (RRBS) are passing through a crisis of identity which was not foreseen by those who brought them into being. The Union finance ministry and the Reserve Bank of India, in their anxiety to build their corporate empires, have ignored the hard realities of the appraisal and lending business and have spurred growth and expansion leading to a situation when the numerous RRBS are experiencing a crisis because of the colossal losses incurred by them.

The main purpose of setting up these banks was to meet the demand for credit in the countryside. Since agriculture contributes 47% of the national income, there was a crucial need to build up the infrastructure to provide credit to the rural peasantry, which was strongly recommended by the Purushottam Das Thakur Das Committee as far back as 1950.

Modest performance. The number of RRBS which was no more than 60 in 1977, has now risen to a massive 183 with 12,000 branch offices in the country's 300 districts. Against the commercial banks' deposits of Rs. 90,270 crores, advances of Rs. 57,290 crores, 56,000 branch offices and over 600,000 employees, the performance of RRBS may appear to be modest by comparison. The RRBS' 12,000 branch offices recorded deposits of Rs. 1,200 crores, made advances of Rs. 1,300 crores and employed 100,000 citizens all over the country in 1985.

But given that the cooperative banks have flopped so miserably, the Union government and the Reserve Bank should pause to consider whether this genre of RRBS will ever establish their viability and confer some tangible benefits to cultivators who are perenially in the grip of moneylenders who still supply more than 90% of rural credit, the recent legislation passed by the state governments notwithstanding.

Not surprisingly not a few economic analysts question whether RRBS should be allowed to operate any longer given the colossal losses they incur year after year, and there is a growing pressure to merge these banks with their sponsor commercial banks. The sponsoring banks have 35% of the equity of most RRBS while the National Bank for Agriculture and Rural Development (NABARD) has a 50% stake. In particular, the growing disparity between the pay scales of employees in commercial banks and those in the RRBS is creating labour unrest and avoidable tensions in the two types of banks which are supposed to work hand in hand.

The state governments, which have a nominal 15% equity stake in the RRBS, are also keeping their own counsel and are reportedly studying the moves of other larger shareholders. But before the situation reaches the point of no return the Union government should grasp the nettle without any further loss of time. The Regional Rural Banks Act, 1976, visualised the RRBS as low cost units to provide cheaper credit to poor farmers. But hopes of keeping overheads low and recoveries high have been belied in terms of qualitative performance and operational losses. Finding no solution to the snowballing problems of RRBS, the banking department of the Union finance ministry appointed the Kelkar Committee in 1984 to suggest ways and means of making RRBS viable.

Realistic suggestions. The recommendations of the committee are quite realistic. The committee *inter alia* suggests an increase in the authorised capital of the RRBS from the inordinately low level of Rs. 1 crore to Rs. 4 crores; bifurcation of major RRBS into smaller units and, strangely, an increase in the lending rates — a recommendation tantamount to straying from the *raison d'etre* of the RRBS, i.e., to provide cheaper credit to the farmer. The committee did not, however, suggest any departure from the original guidelines for wages of RRB employees under s.17(1) of the Regional Rural Banks Act, 1976, which laid down that employees in these banks would be treated on a par with their counterparts in government and corporatives in their respective areas of operations.

But the Kelkar Committee fails to resolve some of its own contradictions. If the wages of employees of RRBS are raised to the levels of those paid by commercial banks, how can low cost banking be possible? The banking division of the Union finance ministry and the Reserve Bank will have to find an answer to this question before proceeding further in the matter of breathing new life into the RRBS.

ADVERTISING

Boom time in Delhi

With the emergence of the New Delhi-based Doordarshan as the hottest new advertising medium in the country — a phenomenon which has coincided with the recent acceleration in the pace of industrial activity and the consequent build-up of competition in the marketplace — even hitherto low profile companies are beginning to discover the cost-benefits of advertising. In particular, this phenomenon is blowing a lot of good to the more reputable advertising agencies and especially their Delhi branches which are reaping rich dividends from the industrial boom in north India.

So remarkable, in fact, has been the recent upswing in the business of Delhi's advertising agencies that not a few admen are of the opinion that the city has emerged as the fastest growing advertising centre in the country, even if on a smaller base than the advertising capital of Bombay. Though latest comparative statistics are unavailable for all the media, a report of the Indian and Eastern Newspaper Society indicates that there is more than a little truth in this assertion.

According to the report, Delhi recorded an 11% increase in the volume of business generated by accredited advertising agencies from Rs. 28 crores in 1983 to Rs. 31 crores in 1984 through the press medium. Bombay, on the other hand, registered a growth of 8.8% from Rs. 84 crores to Rs. 92 crores over the same period. Taking into account, the Bombay advertising industry's well-established lead in the television medium — which to some extent is offset by the growth of the financial advertising sector in the north — advertising professionals in the capital maintain that it would not be far off the mark to ascribe growth rates of 35% and 30% per annum to the advertising industries of Delhi and Bombay respectively.

Gradual liberalisation. This is good going for the capital's advertising fraternity which was in its infancy less than a decade ago. This fraternity was hitherto handicapped by the reluctance of the captains of industry — barring a few business groups such as Food Specialities Ltd., HMM Ltd., Escorts, DCM, Modis and Dalmias — to locate their businesses in the north. But with the gradual liberalisation of industrial policies by the government in the eighrties, the captains of Indian industry seem to have discovered the charms of the north and formerly backward states such as Uttar Pradesh, Madhya Pradesh and Rajasthan have been transformed into significant industrial centres.

All of which have been glad tidings for advertising professionals in the capital. Delhi's advertising agencies were particularly well positioned to cash in on the automotive boom in the north which followed a spate of Indo-Japanese collaboration agreements — Maruti Suzuki, DCM Toyota, Eicher Mitsubishi, Hero Honda and Escorts Yamaha among others.

John: greater awareness of the efficacy of advertising

Similarly the sizeable growth of north India's television manufacturing industry (which includes well-known names such as Crown, Weston, Texla, Beltek and Niky Tasha) since the Asian Games in 1982 has expanded client lists and the billings of Delhi's advertising agencies. These developments, added to the recent emergence of the high growth kitchen appliances, electronics and plain paper copier manufacturing industries among others in the north, have infused considerable good cheer into the members of the high profile persuaders' community.

"There is a highly encouraging trend in the growth of advertising billings as a consequence of the opening up of the economy. Industry has grown by leaps and bounds in the north. Competition has, therefore, increased sharply and this is being reflected in increased advertising expenditures by most companies," says Nikhil Nehru (38), senior vice president and general manager of Hindustan Thompson Associates' (HTA) Delhi branch which has doubled its billings from Rs. 4.50 crores in 1981-82 to Rs. 9.50 crores in 1985-86.

Indeed the consensus of opinion among admen in the capital is that the pressures of competition in industry have brought about a perceptible change in industry's attitudes to advertising — on which a hefty sum of Rs. 550 crores was spent in the country last year — and in the hitherto conservative north in particular.

Substantial shift. "In recent years there has been a substantial shift in industry's attitudes towards advertising. Earlier, companies in the north were either sceptical about the benefits of advertising or would prefer to patronise smaller local agencies. Now there is a far greater awareness of the pivotal role of advertising in the promotion of growth," says George John (39), resident director of Ulka, Delhi (billings: Rs. 7 crores in 1985-86).

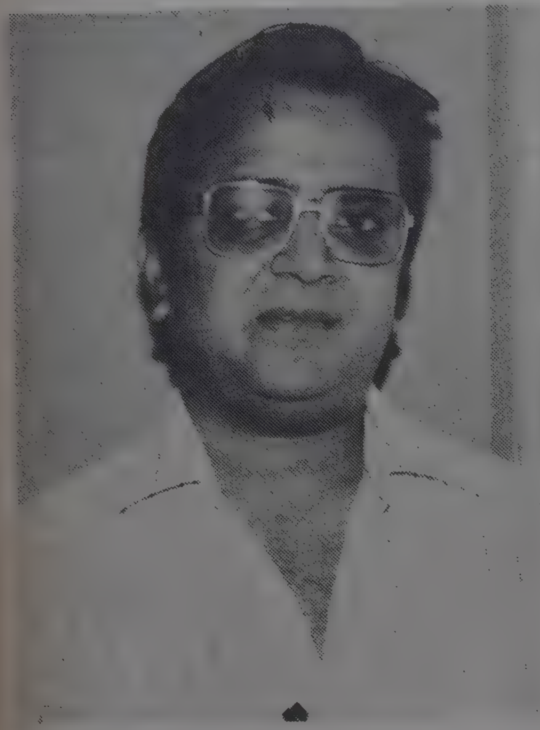
This view is shared by Neel Chatterjee (29), accounts director of the Delhi branch of Contract Advertising (a subsidiary of HTA) which recorded a billing of Rs. 3 crores in 1985-86. "A few years ago advertising agencies in Delhi were hard put to convince clients to advertise. But now that the era of the seller's market is over in the country, advertising agencies are increasingly being regarded as marketing consultants," says Chatterjee.

Nor is it only the private sector that is becoming increasingly conscious of the cost-benefits of advertising. So apparently is the government — much to the delight of Delhi's advertising agencies — ever since the assumption of office two years ago by the Rajiv Gandhi administration. A well-publicised case in point is the government's Rs. 30 crores public awareness campaign for its Clean Ganga project which is being handled by Clarion, Ulka and Edge Communications in collaboration with the Indian National Trust for Art, Culture and Heritage. And with government advertising no longer the almost exclusive preserve of the public sector Directorate of Advertising and Visual Publicity (DAVP), the publicity campaigns for the government's family planning, integrated child development, conservation and railway commuter awareness programme accounts among others have been landed by private sector advertising agencies in the capital.

Yet another development that is causing ripples in the advertising business in Delhi, and in fact the country, is the phenomenal growth of the financial advertising business. Given the current boom in the capital market — a hefty Rs. 5,000 crores is expected to be raised for industry from household sector investors this year — not a few advertising agencies have established specialised divisions to handle the public issues of their clients. But in this sector of business it is undoubtedly specialists such as Sobhagya Advertising — widely regarded as the largest financial advertising agency in the north and one of the frontrunners in the country — that have a distinctive edge over the others.

"Very few advertising agencies that are entering this line of business have an understanding of tax planning, stock exchange regulations and finance. As a predominantly financial advertising agency since 1984 our objective has been to reach that class of investors which differs vastly from the class of consumers, and make ourselves intelligible to them about a good investment prospect. In other words, we seek to show the investing public investment opportunities which will be translated into capital gains," says Ravindra Singhvi (36), director of Sobhagya's Delhi branch.

Rapid strides. The financial advertising business is obviously making very rapid strides because, according to Singhvi, Sobhagya Delhi has recorded an amazing upswing in billings from Rs. 2.5



Singhvi: amazing upswing

crores in 1984 to an estimated Rs. 5 crores — a growth of 100%. Sobhagya managers also take considerable pride in the impressive list of clients whose public issues have been promoted by the agency. The list includes Hero Honda, Eicher Motors, J.K. Synthetics, Orkay and almost all the public sector corporations which have entered the capital market recently.

A new feather in the cap of the agency, says Singhvi, will be its promotion of the "largest equity issue in the country" on behalf of Indo Gulf Fertilisers Ltd. — a joint venture of the (Aditya) Birla group and the Uttar Pradesh government which is to enter the market shortly to raise a whopping Rs. 84 crores. "Based on the reputation that we have acquired and the fact that an increasing number of companies are being given permission to raise capital from investors, I think our prospects are extremely bright," says Singhvi.

Though most of Delhi's admen express similar optimism, no advertising agency in the capital has been able to match the astonishing growth record of Ulka, Delhi. In 1981, with billings of a mere Rs. 58 lakhs, the agency was, according to industry observers, finding it hard to keep its head above water. Since then, however, there has been a dramatic turnaround in its fortunes and in 1985-86 the agency chalked up an annual billing of Rs. 7 crores. With business expected to register a great leap forward to Rs. 8 crores in 1986-87, Ulka is not surprisingly keeping HTA, Delhi's (and the country's) No. 1 agency, on its toes. "Our increased emphasis on teamwork and professionalisation both on the creative and client servicing fronts has paid off. In terms of growth of business we have made history in Delhi," asserts John (quoted earlier) who took over at the helm of the agency in 1981 and is widely credited with its amazing turnaround.

But it isn't just the more established names in Delhi's advertising industry which are looking ahead with confidence. Of late, the increasingly higher returns enjoyed by advertising agencies in the capital have attracted several agencies from the rest of the country into the capital. Among them is the Ahmedabad-based Mudra Communications (best known for its Reliance advertising campaigns) which commenced operations last year in Delhi. Not without success either — because in its first year of operations the agency expects to record a billing of Rs. 1.70 crores.

Says Karan Ahluwalia (36), general manager of Mudra: "We anticipate a significant increase of business in the near future because not only are our existing clients going in for expansion and diversification but we expect to gain several new clients as well. Moreover, our entry into Delhi at a time when industry is gaining momentum in the north augurs well for us." A sentiment that is no doubt shared by the numerous new entrants into the capital's advertising agency business who are making rapid strides despite intensifying competition.

Greatest triumph. A case in point is Media Communications Systems (MCS) which recorded a billing of Rs. 1.50 crores in 1985-86. Since it was established in 1984, the agency has chalked up a client list which includes well-known companies such as Swaraj Mazda, Sita World Travels, Rajasthan Petrosynthetics, the Surendra Apeejay group and Pan Am. But perhaps the agency's greatest triumph has been its tie-up with Wells, Rich, Green Inc. (WRG) one of the top 10 advertising agencies in the US. The tie-up, which was wrested by MCS in competition with several reputed contenders, entitles the agency to advertise for WRG's clients in India (such as Pan Am) and otherwise represent its business interests in the country.

Not surprisingly, MCS' chief executive Anil Metre (28), is setting his sights high. "Our aim is to be a national agency in 10 years. To attain this objective we attach considerable emphasis to professionalism and offer a high quality of service to our clients. Our philosophy is however to plan our growth systematically rather than achieve dramatic growth. This will ensure that our service standards do not suffer," says Metre.

The emergence of a new breed of advertising professionals in the capital as represented by Metre and the numerou other pointers to the impressive growt of Delhi's advertising industry notwithstanding, admen are, however, incline to sound a note of caution. "Because o Delhi's small advertising base, the industry appears to be burgeoning," says an industry insider.

Perhaps. But there's little denying that the capital's advertising personnel — hitherto a pale shadow of their smoother fast-talking Bombay counterparts — have come of age and have acquired status.

Kavita Bery in New Delhi

ENVIRONMENT

A half measure

"People agitate, governments legislate." Both agitators and lawyers met at a three day seminar in Ahmedabad recently to discuss the Environment Protection Act, passed in May this year. The hosts were the Consumer Education Research Centre (CERC) and the Indian Law Institute.

It quickly became apparent that the government had rushed this Act through with indecent haste — reminiscent of the Muslim personal law and child labour bills. The drafters hadn't really exercised their minds: even a cursory perusal of the Act reveals that it is limited to industrial pollution and hazards in the wake of the Bhopal tragedy, rather than serving the function of a more comprehensive law that takes into consideration all the diverse facets of the environment — particularly forests.

J.J. Mehta, chairperson of the Gujarat government task force on chemical industries, which was one of the first to report on industrial hazards, candidly disclosed that between 1950 and 1969 he had been associated with the National Rayon Corporation and was aware that its effluent treatment was poor. Chlorine from the factory was discharged into the Kalu and Ulhas rivers in Bombay (the former has been described as Bombay's Minamata). Only half in jest, he remarked that its bleaching effect was so strong that a buffalo taking a dip in the rivers would emerge as a white cow!

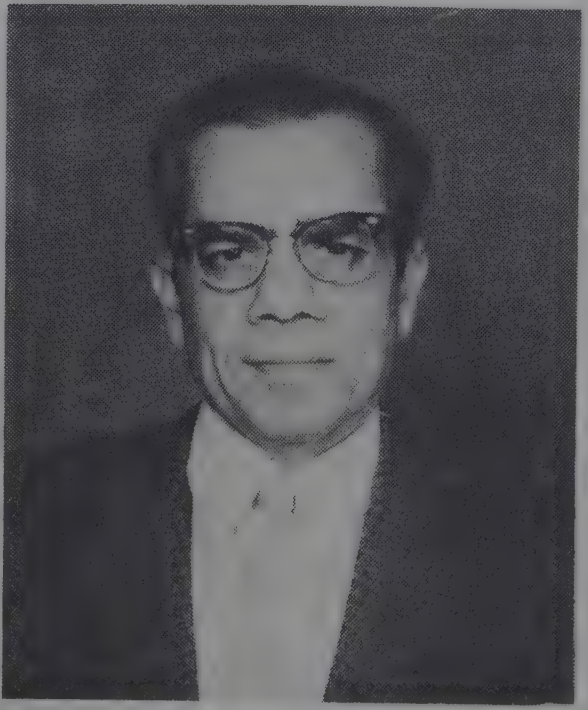
Buffer zones. As Manubhai Shah of the CERC pointed out, the Mehta committee had divided chemical industries into two categories: "high disaster" and "low disaster." For the former, the committee recommended that there should be no human habitation within a two km radius and for the latter, a one km radius. The effect of such bans on people was manifest in some of the recommendations of the Ahmedabad seminar which called for a "green zone" around factories and compulsory acquisition of land by managements around factories to create buffer zones. Manubhai Shah observed that industrialists were most pleased about such provisions and often sought CERC's assistance in moving out the inhabitants in the zones so demarcated, as if it was their fault — rather than the industrialist's — for being there in the first place!

Clarence Dias of the International Centre of Law in Development, New York, referred to "industrial self-regulation" as a contradiction in terms. He labelled the present pattern of industrialisation a "suicide model," which distributed death in a "scientific" manner; the alternative was a "survival model." "However in a situation of mass unemployment, as in the case of the Bhopal tragedy, the chances are that if Union Carbide opened again and offered the same hazardous jobs, there would be thousands of people in the queue. One solution to this economic blackmail as it were would be the provision of unemployment insurance if a factory was closed for an actual or apprehended hazard," suggested Dias.

Upendra Baxi director of research at the Delhi-based Indian Law Institute, called for sanctions against corporations by the imposition of cash or equity fines. (Manubhai Shah mentioned a case in the US where the employees of a firm had been recovering silver from photographic films without being aware of the dangers involved. One worker died as a result and three others were affected. The consequence: a manager was sentenced to 20 years in jail).

The only official present at the meeting, C.D. Oomachen, chairperson of the Maharashtra Pollution Control Board, took the opposite view and asked, what would happen if a factory was to be closed down: would the industrial labour courts agree? "Under the Industrial Labour Act, factory owners are supposed to pay workers their wages but under other laws, a management can be permitted to close only because of a natural calamity or a power shortage," says Oomachen.

Different perspective. Environment protection activists provided an entirely different perspective. Vikasbhai — a well-known Varanasi-based social worker — recounted how people have been fighting against the pollution of river waters and despoilation of the environment by the Birla-managed Orient Paper Mills at Amlai since 1972. According to Vikasbhai, the company's management blocks the Sone river during the water-scarce summer months and releases effluent into the river at will. As atonement, the company "distributes Ramayanas profusely and builds temples, though it has also dug some drinking water wells."


Shah: risk categories suggestion

Another Birla-managed company, Zuari Agro Chemicals was pilloried by social scientist Claude Alvares for polluting the environs of Goa while all activists cited how they were harassed by corporate managements as well as the police. In one particular case farmers protesting against a public sector sugar factory in Ghazipur, UP were charged with "dacoity."

The Environment Protection Act itself was analysed threadbare from the points of view of amendments, the rules it had to frame and the authority under which its provisions can be enforced. The consensus of opinion was that although the Act defines 'environment' comprehensively, its scope in the actual provisions is limited to industrial pollutants and not a few delegates were of the opinion that it would be more apposite to change the nomenclature of the enactment to the Industrial Hazards Act.

Among the notable changes suggested at the seminar was the abolition of the 60 days' notice required to be given to the Central government for an individual to file a complaint, which severely restricts the right of public redress. Another important amendment suggested was the inclusion of the right to inspect premises. "Any person authorised by a registered society should be given the right, at reasonable times, to enter and inspect the premises for satisfying himself that the provisions of the Act are being complied with," argued Alvares.

While a representative of the well-known chemical company Atul Products Ltd., felt this would infringe the company's right to guard its industrial designs and processes, most delegates were of the opinion it was essential to have access to vital information. As things are, neither the company nor state-run bodies part with relevant data.

In pursuance of this 'right to know,' the seminarists recommended that documents filed by a management to set up or expand an industry should be open to public scrutiny. Similarly, reports by government agencies concerning siting, pollution, etc. should be available at a price. Even this information wouldn't be sufficient to empower people to act unless, as the delegates emphasised, there was a "resources centre" charged with undertaking research and documentation on all aspects of the environment. Further, the government should make it mandatory for companies and government authorities to provide citizens' action groups samples of soil or water for analysis and these analyses ought to be legally presentable in court.

Meaningful excercise. As for the authority to be created under the Act, Dias and others urged that it should be participatory in nature so that workers and people living in the vicinity of a factory should be heard on issues which, after all, affect them most grievously. Indeed, it was the spirit of such recommendations, fused with the concerns of activists and concerned lawyers which made the conference a meaningful exercise.

It was more than just another seminar also because it provided an opportunity for spokespersons of three different interest groups who would otherwise not share a platform. There were legal scholars who would prefer to bring about radical reforms through the courts; activists who see the law only as one more means to an end, and representatives of industry who generally perceive the law as a nuisance. Each group brought its perspective to bear on the objectives of the Environment Protection Act.

What remains, of course, is the rare environmental dilemma which concerns the mass of people — the destruction of forests at the rate of 1.5 million hectares per year, the erosion of soil, recurring droughts and floods. On all these, the Act remains strangely silent. It will therefore have to be considerably widened and tightened if it is to live up to its name.

Darryl D'Monte in Ahmedabad

If in 3 years ROSS MURARK
will cross Rs.50 crores b
from you it will cro

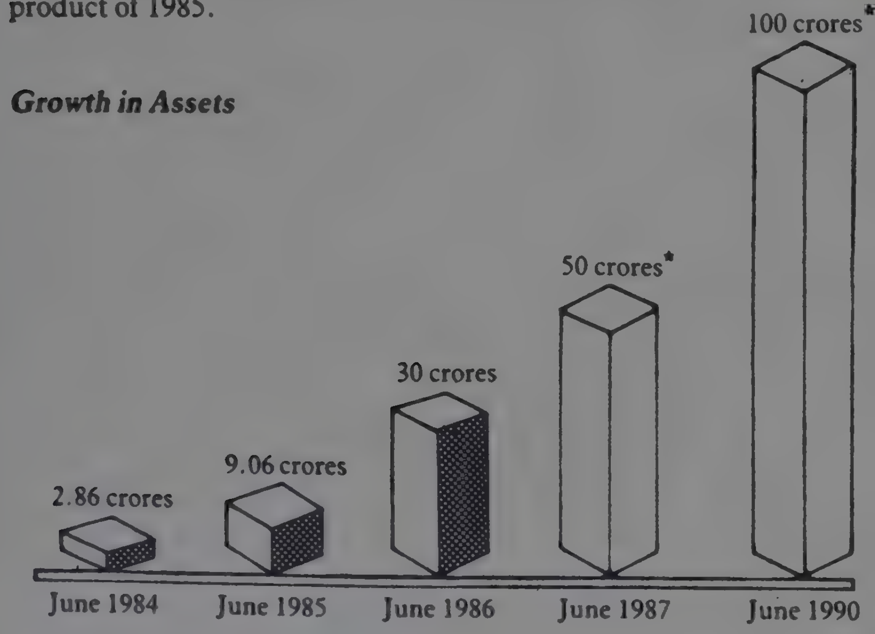
Performance Highlights

Ending June '86 over June '85
(Figures under audit)

Growth in income — up by	**300%**
Gross Assets — up by	**330%**
Gross Profits — up by	**300%**
Net Profits — up by	**130%**

Impressive Growth

Adding to the achievements of 1984/85, in '85/'86, Ross Murarka has seen an even more impressive all-round growth. The Publishing Division has grown by almost 300% in income, thanks to the successful launch of the 3 newspapers i.e. MONEY (English), MONEY (Hindi), and MONEY (Gujarati), which was voted as one of the most successful products of the 80's and the most successful product of 1985.


Growth in Assets

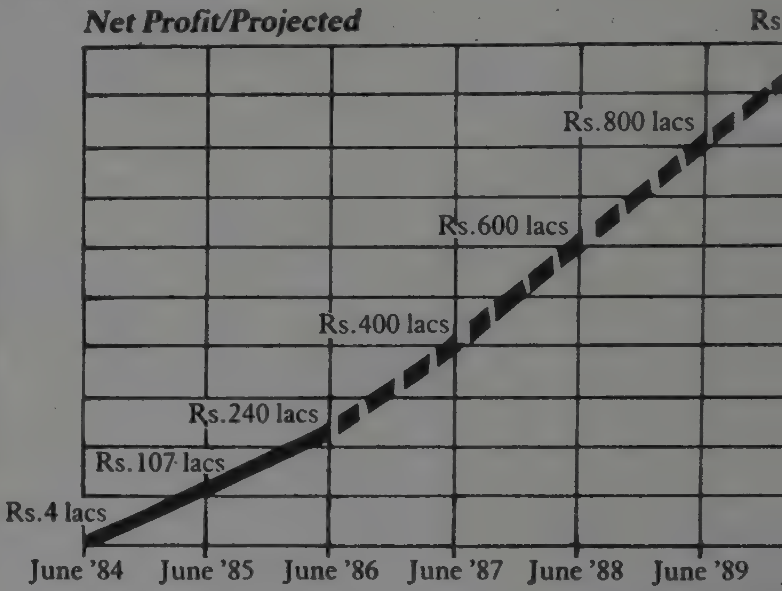
Confidence in the company, can be gauged by the overwhelming response to its equity linked debenture issue. 95% of all the shareholders reinvested in the company's Rights Issue. The Public Issue was oversubscribed 13 times and the Rights Issue by almost 2½ times. In view of this tremendous support, the company's assets has risen from Rs.9.06 crores in June '85 to over Rs.30 crores in June '86, and the gross assets are likel
cross Rs.50 crores in June '87.

* Projected, based on current Business + Targets.

Profit Centres

The company has created 3 major profit centres, namely (1
Leasing, (2). Hire Purchase & Financial Services, (3). Pub
and Consumer Products.

Net Profit/Projected

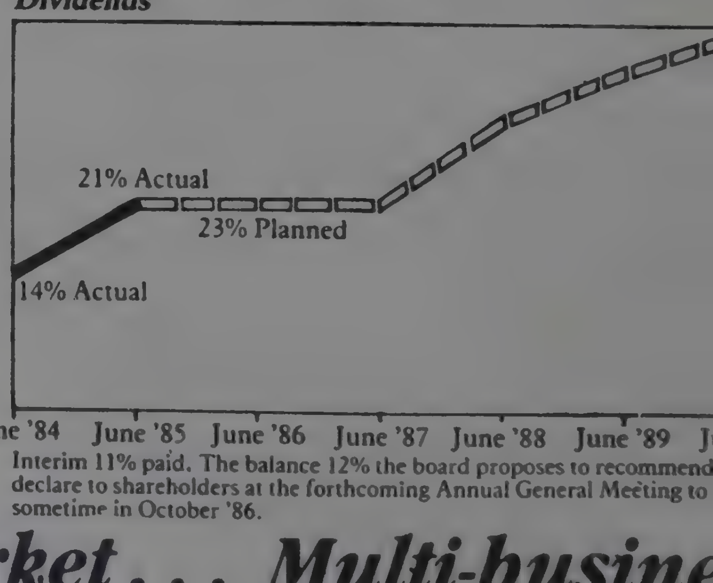


The Leasing Division makes up approximately 65% of the t
income of the company, Hire Purchase/Financial services m
up 15% of turnover of the company and Publishing/Consur
Products makes up approximatley 20%. Gradually however
hope that the leasing portfolio will come down to around 55
hire purchase will go up to around 25% of our total income
other businesses income will be around 20%. This way the
profits will be equally balanced between leasing and higher
income potential businesses like hire purchase and publishi
and consumer products, etc. This will also allow us to maint
the 10 times borrowing capacity allowed by the Reserve Bar
India to finance companies in operation.

Growth in Dividends payout

The company has been increasing dividends for the past 3 y

Dividends



Interim 11% paid. The balance 12% the board proposes to recommend
declare to shareholders at the forthcoming Annual General Meeting to
sometime in October '86.

A Multi-product . . . Multi-market . . . Multi-busine

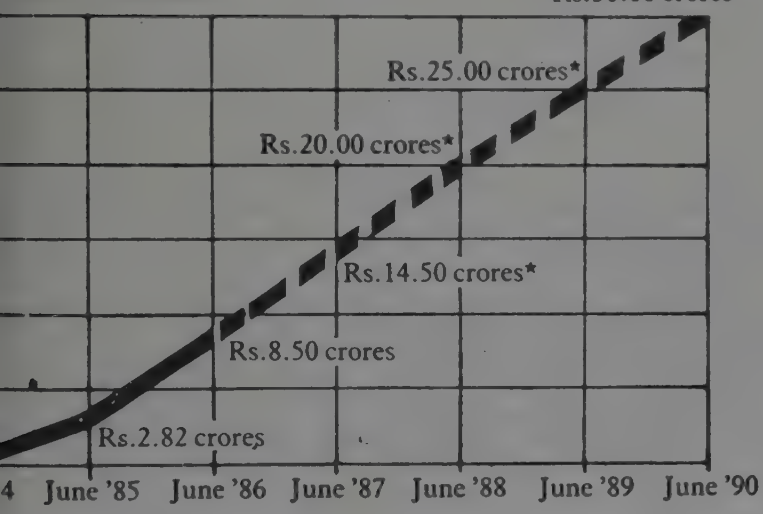
INANCE LIMITED assets une 1987, with a little help s.100 crores by 1990.

June '84, 21% in June '85, 11% Interim in January '86 company hopes to recommend to its Board and lders a proposed final dividend of 12% to be paid in '86 after the Annual General Meeting, making a sum 23% for the current year. Thousands of new shareholders enefit from this on a pro-rata basis. The company will onstantly to see that the dividend is maintained and d year after year, based on the tremendous momentum it eved.

ure Income

mpany is happy to inform its shareholders that based on ent assets built up i.e. leases/hire purchases etc, the ncome for next 5 years will exceed more than Rs.50 crores g a minimum income for the next 5 years of Rs.10 crores generating a minimum net profit of Rs.4 crores a year — s allowing a minimum dividend possible payout of 24% r. This performance achieved is perhaps unsurpassed by nce company in India, and this also provides tremendous

rowth in Income



s well as guaranteed returns for the investors i.e. lders, fixed deposit holders and debenture holders in the ny.

d, based on current Business + Targets.

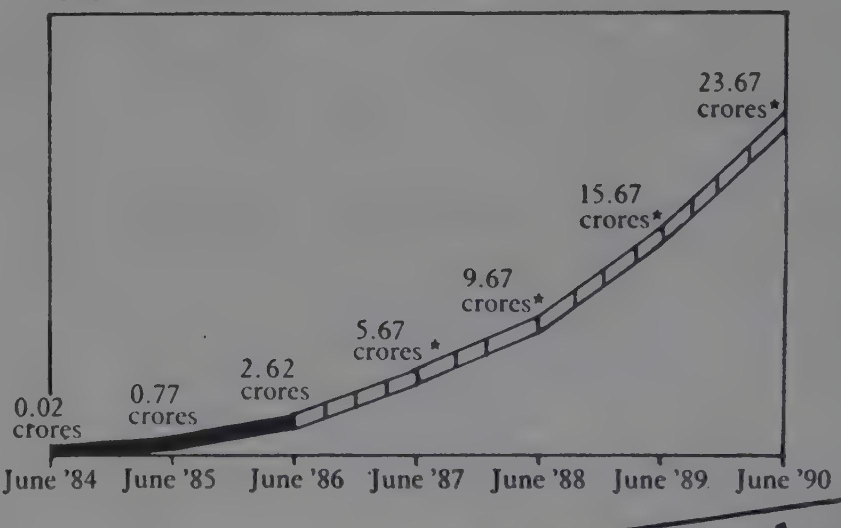
Ambitious Future Targets

Last year, the company had mentioned that in its 3-year growth plan, that assets were expected to touch Rs.50 crores and gross profits to touch Rs.10 crores. However it seems likely that in the current year itself, we will achieve this target and in the next 3 years with the blessings of our shareholders, bankers and investors, we hope to achieve a growth equivalent to Rs.100 crores in 1990, gross profit of Rs.25 crores and a net profit of Rs.10 crores by 1990, making the return per share around Rs.25/- the book value of each share around Rs.60, as reserves should touch almost Rs.24 crores by 1990.

Projected Target 1990 June ending

Gross Assets — Rs.100 crores
Gross Income — Rs.30 crores
Gross Profit — Rs. 25 crores
Interest + Depreciation – Rs.15 crores
Net Profit — Rs. 10 crores
Paid up capital — Rs. 3.73 crores
Reserves — Rs. 24 crores
Earnings per share — Rs.25/- (approx.)

Growth of Reserves



mpany. . .

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Associate Companies: Ross Murarka Finance (East) Ltd.; Ross Murarka Money Growth Fund Ltd

ADPLAN-RMF-101

INDUSTRY

Public sector price

The indigenous decorative and industrial paints industry (estimated annual production volume: 160 million litres) has been pitchforked into a crisis for no fault of its own. The domestic availability of one of its critical intermediates *viz.* titanium dioxide, has dried up in the market owing to the virtual closure of the only two public sector units — Travancore Titanium Products Ltd. (TTPL) and Kerala Minerals and Metals Ltd. (KMML) — which together monopolise the manufacture of the anatase and rutile grades respectively of titanium dioxide.

Predictably, anatase and rutile are being blackmarketed at prices not less than Rs. 30 and Rs. 70 per kg respectively, up by 20% and more in less than a year. Particularly hard hit is the small-scale sector which accounts for a hefty 50% of the paint manufactured in India. These units' already narrow margins are being pared to the bone.

"Titanium dioxide is a vital intermediate without which paints cannot be manufactured," explains Subhas Subberwal (43), vice president of the Calcutta-based Indian Paints Association (IPA), a representative organisation of both large and small-scale paint manufacturers. "It is the most important white pigment, being the whitest of all pigments, and is a key material which is mixed into all paints," adds Subberwal, who is also the managing director of Jenson & Nicholson (India) Ltd.

According to IPA sources, the genesis of this present crisis is entirely attributable to the failure of the two Kerala state government-owned undertakings to deliver the goods. Thus although TTPL is licensed to manufacture 18,000 tonnes per annum (tpa) of anatase and 6,000 tpa of rutile, its actual production of these two intermediates during fiscal 1985-86 was 8,000 tonnes and nil respectively. Indeed, TTPL has applied to the government to de-rate its capacity for anatase by one third to 12,000 tpa.

Teething troubles. To compound
crisis, KMML (commissioned as recently
1984) has failed to overcome its "tee
ing troubles." And during the ni
month period, October 1985 to Ju
1986, when paint manufacturers' p
duction activities are in full swing to m
peak season demand, KMML delivered
miserable 1,500 tonnes of rutile utilis
barely 10% of its capacity. Confir
Subberwal: "IPA's member units have
ceived virtually no supplies from KMML
the last few months. From TTPL too, su
plies of rutile to our member units ha
been virtually negligible."

Naturally, manufacturers have be
running from pillar to post to shop
these vital intermediates. As luck wou
have it, titanium dioxide is presently
short supply in the international mark
as well. Besides, since it was known th
India was creating capacity for the pr
duction of titanium dioxide in a big w
from 1985 onwards, major internation
manufacturers have already contract
their production elsewhere.

"Today, the industry has no choice b
to make emergency purchases

Which magazine has given you the finest contemporary business biographies?

BusinessWorld
There's a world of a difference

Scarce paint in J&N's Naihati factory. Inset: Subberwal

titanium dioxide in the spot international market. The implication of making spot purchases is indeed serious since prices are extremely high and over and above the high prices there is an *ad valorem* import duty of approximately 130%," says Subberwal. "Besides, this alternative is available only to larger manufacturers since it is extremely difficult for small-scale units to organise imports directly," adds N.N. Samadder (52), chairman (eastern region) of the IPA, himself a small-scale paint manufacturer, who addressed a press conference on this issue in Calcutta recently.

Incidentally, since the two public sector companies are unable to produce the 22,000 tpa of titanium dioxide (anatase and rutile) currently required by the domestic paint industry despite having an installed capacity of 42,000 tpa between them, the country is unnecessarily expending foreign exchange of at least Rs. 48 crores per annum. The irony is compounded by the fact that the coastal regions of Kerala are blessed with vast deposits of ilmenite, rich in titanium content. Says a senior paints industry manager bitterly: "Even though the quality of locally made titanium dioxide was not wholly satisfactory, the paint industry collectively decided to give first priority to intermediates manufactured by TTPL and KMML, so as to give these companies maximum support. We should have known better than to put our faith in public sector companies."

Immediate plea. Given these circumstances, the IPA has no option but to turn to the Union government for succour. In July, IPA's president Ajit Singh Dhingra met finance minister V.P. Singh at one of the latter's 'open house' discussions. IPA's immediate plea is that the import duty on titanium dioxide be reduced from 130% to 40% for rutile and 25% for anatase so that its landed cost is commensurate with domestic prices.

The Union government was originally apprised of the situation as early as in March when IPA representatives called on M. Arunachalam, Union minister of state for industry. At the latter's initiative, secretary (technical development) P.R. Latey flew down to Cochin to see things for himself. According to IPA sources, Latey agreed to "consider recommending" import duty cuts but "suggested" that "before rushing into anything of this nature, one should give a little time to KMML." Characteristically, despite the escalating crisis, no decision has been made as yet. Hence IPA's recent talks with Union industry minister N.D. Tiwari, details of which are not yet available as we go to press.

Meanwhile, industry managers are keeping their fingers crossed. "We fear that in the very near future a large number of small units might have to close down unless titanium dioxide supplies improve," warns Subberwal. Even otherwise, the industry's cost increases are likely to be passed on to the customers who may well have to shell out Rs. 4-5 more per kg of paint.

Yet a cloud of silence envelops the wider issue: why should gross incompetence in the public sector be subsidised by the citizenry of this country? In the light of the hardening public attitude towards public sector inefficiency, government officials in New Delhi and Trivandrum would be well advised to desist from sweeping this issue under the carpet, as usual.

Sujoy Gupta in Calcutta

COMPANIES

BHEL's bleak prospects

The public sector Bharat Heavy Electricals (BHEL) recently entered into a technology transfer agreement with General Electric Co., USA, for the manufacture of gas turbines at its Hyderabad plant. This is reportedly the first time that the US has agreed to part with hi-tech power equipment technology, at least as far as India is concerned. The agreement, signed in early August, envisages the transfer of knowhow technology for the design and production of heavy-duty gas turbines of up to 30 Mw capacity with a provision to manufacture larger size units at a later date.

The operational advantage of a gas turbine power generating station is that it can be constructed within a period of between one and two years as against the period of between four and five years in the case of conventional thermal power stations. With their quick-start capability, gas-based power stations are best suited to meet rising peak-load demands. Besides, they can operate on a variety of fuels: natural gas, naphta, diesel oil, or heavy fuels such as low-sulphur heavy stock (LSHS). Gas power stations can also be used as 'co-generation' plants where, apart from power generation, the waste heat from the turbines can produce process steam for industrial applications. In fact, gas turbines can be employed in all industries where gas-driven equipment is required.

With India well endowed with natural gas resources (reserves are currently estimated at 750 billion cu metres), BHEL expects orders for gas turbines valued at Rs. 100 crores in the immediate future. BHEL, Hyderabad, one of 13 manufacturing facilities of the Delhi-headquartered BHEL which employs 10,500 citizens, will be investing Rs. 10 crores in this new venture. Manufacture of gas turbines is to commence within the next three months and the crucial test plant for the turbines is expected to be ready by December next year. An order for gas turbines valued at Rs. 35 crores from

ONGC for use on the HBJ gas pipeline project has already been received and another order for two 20 Mw units valued at Rs. 31 crores, is likely to be placed by the Bharat Petroleum Corporation.

Unenviable position. The foray into the manufacture of gas turbines should come as a shot in the arm for BHEL's Hyderabad unit which has experienced an unenviable order book position in recent times. The unit was established in 1963 for the manufacture of 60 Mw and 110 Mw thermal power sets with Czech collaboration. However orders for the 110 Mw sets are on the decline because of the state electricity boards' increasing preference for larger capacity (200 Mw and 500 Mw) power generators, and BHEL Hyderabad was forced to diversify its product range. The manufacture of steam turbines and generators of up to 200 Mw capacity industrial turbosets and high-speed industrial turbines ranging between the 1.5 Mw and 60 Mw range, centrifugal compressors, heat exchangers, boiler feed pumps, bowl mills, ball mills, SF6 circuit breakers and oil rigs enabled the Hyderabad division of BHEL to end its last fiscal year (1985-86) on a high note, with sales reaching a record Rs. 370 crores from Rs. 310.2 crores in 1984-85. And more significantly, pre-tax profit rose by 227% to Rs. 36 crores from Rs. 11 crores earned in 1984-85.

This is undoubtedly a matter of pride for the division's executive director C.N. Garg (55), an engineering graduate of Rourkee University, who was adjudged the 'best manager' by the Hyderabad Management Association this year. "Both in terms of turnover and value added per employee, the Hyderabad unit's performance compares favourably with BHEL's overall performance," says Garg. "Between 1982-83 and 1985-86, turnover per employee has risen from Rs. 1.78 lakhs to Rs. 3.48 lakhs, whereas the corporate figure has risen from Rs. 1.66 lakhs to a mere Rs. 2.25 lakhs. The value added per employee has, similarly, increased from Rs. 0.76 lakh in 1982-83 to Rs. 1.24 lakhs in the Hyderabad unit as against a modest rise from Rs. 0.67 lakh to 0.89 lakh in BHEL as a whole."

Stiff competition. Garg blames the low profit margin in 1984-85 (i.e. Rs. 11 crores) on stiff international competition. "We experienced severe global competition in 1984-85. We no doubt get a 15% price preference in the case of World Bank tenders and also a cash subsidy from the Union government, but then material costs in India are high. Steel, for instance, costs twice as much in India as it does abroad. The liberalised import policy in relation to equipment for the fertiliser among other industries has also hit us hard. There is also, I think, a strong lobby at work against BHEL. Imports of equipment in a knocked down condition which is put together by screwdrivers when we have indigenous capability, should not be encouraged. What is not often realised is that with imported equipment, maintenance becomes a major problem," says Garg.

Garg: strong anti-BHEL lobby

But quite obviously competition has had a healthy impact in that it has improved managerial efficiency and employee productivity. The Hyderabad division's improved performance in 1985-86, says Garg, is due to a reduction in the consumption of materials, better inventory control and a greater emphasis on recovery of outstanding payments.

Nevertheless, the immediate prospects for the Hyderabad unit are none too bright. C.K. Khot (49), a mechanical engineering graduate of Bombay University, and currently general manager, (engineering and commercial coordination) of BHEL, Hyderabad, admits as much: "Orders for 110 Mw thermal plants, which has been our mainstay, have fallen sharply. Against an average production of seven sets per annum we are now manufacturing only two. Only an order from NALCO for 5 x 120 Mw sets has kept us going. The market for sets of a smaller capacity (60 Mw and over) is equally bleak. The Bhilai steel plant, for instance, has cancelled orders for two 60 Mw sets; the Renusagar power project authoritie have now turned to East Germany fo their requirement of two 67 Mw unit However, we hope to get an order for th supply of two 67 Mw sets to the Calcutt Electricity Supply Company, and one 6 Mw unit for the power station at Kalya near Bombay.

"With the Union government allowin the import of equipment and machiner for fertiliser plants without the impos tion of any customs duty and the curren fad for foreign technology, we are als hard-pressed to find customers for ou centrifugal compressors. As against 2 castings of compressors manufacture two years ago, we may make only eight i 1986-87 and in the next year perhap none at all. With no more refineries o steel plants being set up and not muc development in the petrochemica sector, business prospects are not ver encouraging. In switchgear as well, profit margins are being squeezed becaus of growing competition. In sum, BHE Hyderabad division's sales are unlikel to exceed Rs. 380 crores this year."

Grim scenario. In the on-shore oil drilling rigs business as well, BHEL's Hyderabad division in confronted with a grim scenario. This is primarily because th Seventh Plan outlay for ONGC, its principal customer, has been slashed. In 1985 86, BHEL sold 11 rigs valued at Rs. 7 crores and spares worth another Rs. 3 crores mainly to ONGC. In sharp contrast it currently has orders for only eight rig — including one desert rig and one supe drilling rig, both new developments — valued at Rs. 50 crores and spares value at Rs. 7.5 crores. And there are virtuall no orders for 1987-88.

"The curious thing is that when we entered into the manufacture of rigs in 1978, we were assured by ONGC of a continuous flow of orders — six rigs at any point in time. We actually have the capability to manufacture 24 rigs per year i materials and orders are assured," says N.N. Rajagopalan (53), general manager (oil field equipment and bow mills).

Also, the trend now is to lease rather than to buy rigs outright. With oil rigs being offered at throwaway prices in the US, several Indian business groups — Tata, Modi, Essar, Shaw Wallace and Navbharat among them — have opted to buy them to lease to ONGC which has recently floated an open tender for the hire of drilling rigs. "The trouble is when rigs are purchased from companies which are on the verge of withdrawing or have already moved out of rig manufacture, there will be no back-up service available. True, leasing rigs may be beneficial in the short term, but it will be disastrous

BusinessWorld
September 15—28, 1986

rom a long term perspective. BHEL, on he other hand, has both the capability to nanufacture and service the rigs," says Rajagopalan, adding that BHEL itself is egotiating an agreement with ICICI under which the latter will buy its rigs and ease them to drilling firms.

BHEL's efforts to enter the business of nanufacturing off-shore drilling equipment has also been stymied, thanks to Hitachi of Japan. The company which old an off-shore drill ship and equipment to ONGC has politely declined to uarantee delivery of a second ship of the ame design ordered by ONGC and built at he Hindustan Shipyard, unless the drilling equipment is also purchased from it. HEL therefore plans to commence the roduction of on-shore mobile drill rigs — which cost far less than stationary rigs — and work-over rigs next year. Both re to be made with Ingersoll Rand collaboration. BHEL expects to bag orders or 12 mobile drill rigs from ONGC on World Bank tenders, according to Rajagopalan.

unctionally good. Refreshingly, BHEL nanagers entertain few doubts that in erms of quality the public sector corporation's equipment compares well with mported equipment. Comments K. Gopiraju (55), a mechanical engineering graduate of Andhra University and currently general manager (quality services) n BHEL, Hyderabad. "Functionally if not esthetically, BHEL equipment is as good as any. That is because instrumentation and small fittings are bought out. But to mprove the quality of the components purchased from outside, we have detailed a list of vendors after making an n-depth analysis, eliminating those who do not measure up. At the same time our quality circles — some 350 of them, encompassing all operations — are working well. We have lately introduced, in the highly precision-oriented operational area of blade manufacture, the concept of total quality control (TQC) involving workers, officers and supervisors. If found to work satisfactorily, we will extend this system to other operations," he says.

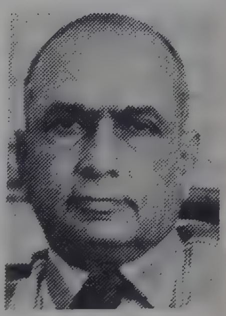
In sum, 1985-86 has been a good one for BHEL Hyderabad, with sales crosssing the Rs. 300 crore mark for the first time. Considering the total capital investment of Rs. 120 crores on the plant, this is not an insignificant achievement. But with the order book position far from rosy, it is debatable whether the Hyderabad unit will be able to achieve a sales turnover of Rs. 600 crores by the end of the decade — a target it has set for itself.

N. Raghavan recently in Hyderabad

ECONOMIC COMMENT

R.J. VENKATESWARAN

Questionable style



Just after V.P. Singh took over the finance portfolio in New Delhi, a reporter asked him whether he would continue to conduct open house dialogues as he had done when he was Union commerce minister. Singh replied that while as commerce minister he could afford to have frank talks with the representatives of industry and trade, in his new assignment he would have to work "behind closed doors." Nevertheless, he has been resorting to open house meetings even more frequently and enthusiastically than he used to in the commerce ministry. Some meetings have been held as far afield as Hong Kong, New York and Saudi Arabia to deal with the problems of non-resident Indians.

Unfortunately, Singh does not seem to realise that by following this procedure, he is not setting a healthy precedent and that such confabulations are likely to result in hasty and ill-conceived decisions and legislation which could throw the entire economy out of synch. While Singh was in charge of commerce this practice encouraged businessmen to deal directly with the minister and obtain rulings on issues which ought to have been disposed of by officers at lower levels in the ministry's hierarchy. For example, problems which should have been handled by the joint chief controller of imports and exports were regularly referred to the minister in these open house meetings. As a result, officers felt disinclined to take quick decisions even on matters which fell within their jurisdication.

Darbar-style practice. A similar situation is likely to develop in the finance ministry as well if Singh persists with this practice of *darbar*-style policy formulation. The minister's eagerness to meet businessmen and understand their problems is, of course, commendable but it is doubtful whether it is prudent to take quick decisions on issues which require careful consideration, and, in many cases, consultation with other ministries. It is significant that at an open house meeting on non-resident Indians held in New Delhi last December, Singh announced not less than 26 major decisions on the spot.

During the special debate held on 6th August in the Lok Sabha on the economic situation, in the context of the new fiscal policies, some members of the opposition strongly criticised Singh for giving too many concessions to big businessmen through spontaneous decisions made at open house meetings. The finance minister defended this practice|by saying that such discussions were "a form of democratic interaction of the government with various sections of society." He added that "the government should not be confined within the four walls of the office room," that "spontaneous decisions did not mean ad hoc decisions" and that these were taken after "due deliberation and processing."

But Singh's defence is not convincing. There is no virtue in making quick decisions if these are to be reversed or drastically modified soon after as has happened often in recent months in the Union finance ministry.

The long term fiscal policy statement has observed that "the growing maturity and complexity of our economy calls for a much more integrated approach to economic policy and its management." It adds that "effective coordination of different dimensions of economic policy — fiscal policy, monetary policy, industrial policy and trade policy—will be faciliated by a long term perspective to policy-making." All the more reason why the finance ministry should take decisions, especially on major issues, after the most careful deliberation.

Not beneficial. What does the prime minister think about the system of open house dialogues? If Rajiv Gandhi feels that this is indeed a right approach he should advise all ministers to emulate Singh's example. On the other hand, if he is of the opinion that this practice is not beneficial, as many members of Parliament have pointed out, he should discourage the finance minister from persisting with it.

The prime minister should also consider another important point. Singh, of course, is a very competent and extremely hard-working minister. Even his staunchest critics will concede these positive qualities. But what will happen if Singh's successor inthe finance ministry follows the open house policy formulation precedent and makes a real shambles of the economy?

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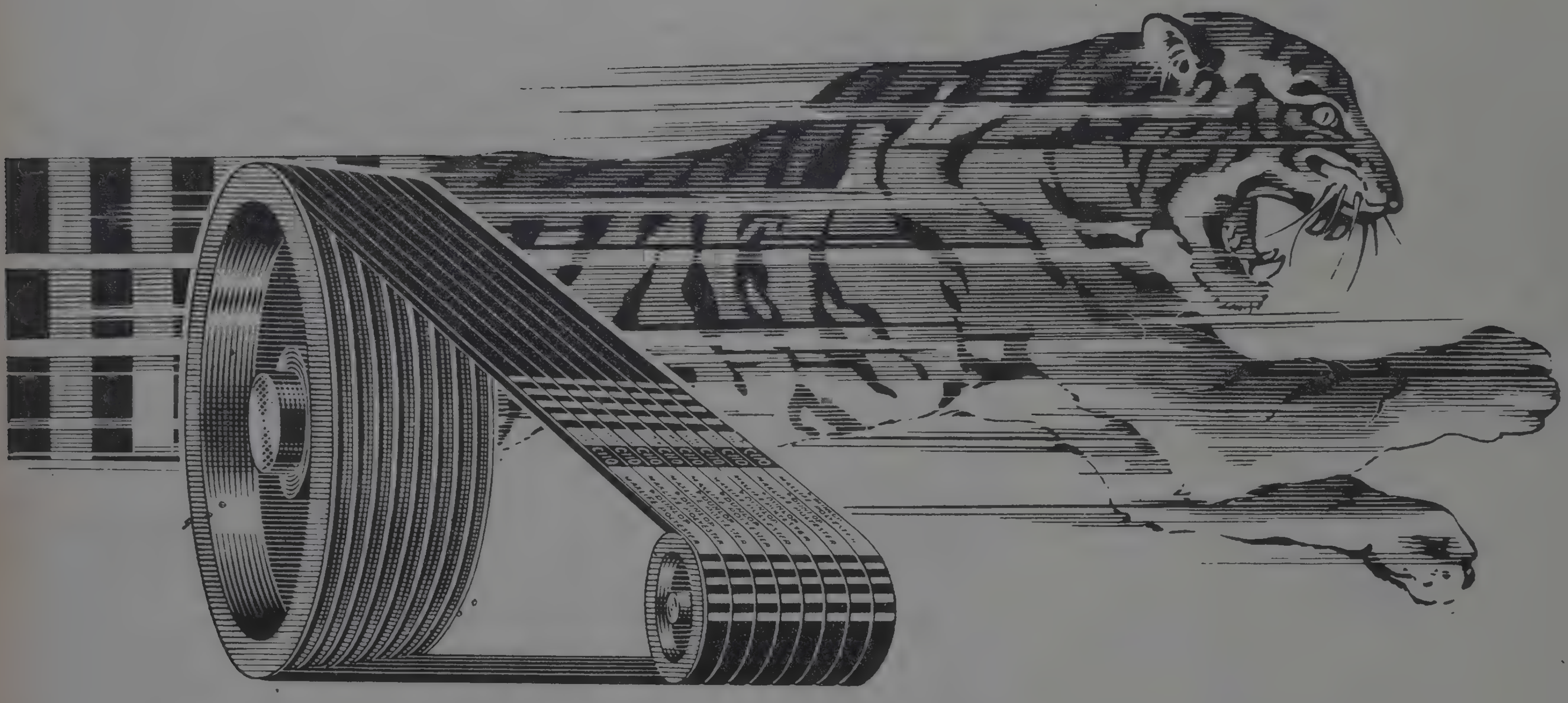

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Uniformity problems

H.P. RANINA

According to the discussion paper introduced by the finance minister in Parliament on 14th August, the government proposes to legislate a single uniform accounting year for all income tax assessees, irrespective of their sources of income. The rationale behind this proposed change is that (i) government accounts are made up on the basis of the year ending 31st March; (ii) many corporations, particularly public sector companies also close their annual accounts on 31st March; (iii) the income from individuals' salaries is also assessed according to the official fiscal year and those with other sources of income such as income from house property are generally assessed on such a basis as well; (iv) the financial year is 'neutral' as between trading communities of different areas which close their accounts on different traditional dates; (v) the choice of any other period might lead to a loss of one assessment.

Undoubtedly, the adoption of the official financial year as the uniform accounting year will considerably simplify the computation of income, reduce litigation and facilitate cross-verification of transactions, thereby reducing the scope for collusive manipulations while assisting investigation. It will also help in the collection of reliable data for income earned in a particular year and in the compilation of national economic and commercial statistics. It will also facilitate equity in taxation as the income earned during the same period by different taxpayers will be subject to tax at the same rate and not at different rates as is possible at present.

PRACTICAL DIFFICULTIES

Yet, there are several drawbacks and disadvantages of this proposal which merit closer examination. While the government's objective of cross-verification can be appreciated for justifying a uniform accounting year for all assessees, there are several practical difficulties which are likely to arise, which may make it well nigh impossible for the corporate sector to function.

In this connection, it has to be emphasised that if an accounting year is changed for tax purposes, it would also have to be changed under the Companies Act for preparation of accounts to be submitted to the shareholders. There cannot be two accounting years,one for income tax purposes and the other for company law purposes. If all companies have to change their accounting year to end on 31st March, it would result in several practical difficulties.

For one, auditors will have to finalise the accounts of every corporate assessee by 30th September every year in respect of all companies under audit. This would make it impossible for auditors to complete the audits because the pressure of work will be tremendous during the six months from April to September. Therefore, auditors will have to give up some of the companies whose accounts they audit and it may not be possible for large companies to find alternative firms of chartered accountants with sufficient experience to undertake the audit of their accounts.

Second, all dividend warrants will have to be despatched during the months of September, October and November to meet with the requirements of company law which states that dividend has to be paid within 42 days of declaration. The Post and Telegraph Department will be swamped and unable to handle the volume of work during this period as every company will be despatching the warrants at the same time. As a result great hardship will be caused to shareholders because a large number of dividend warrants are likely to be misplaced or lost in transit.

UTTER CHAOS

Third, in cities such as Bombay, Calcutta and Delhi where a large number of companies have registered offices, it may be impossible to find suitable venues for holding companies' annual general meetings (AGMs). Every company would have to hold its AGM by 30th September. Consequently, there would be utter chaos as this statutory requirement is unlikely to be complied with. It is pertinent to note that even in a large city such as Bombay, there are just four or five auditoria where shareholders' meetings can be held. If all public limited companies are required to convene their AGMs in August or September, it may just not be possible for many companies to book an auditorium.

Lastly it is also pertinent to bear in mind that there are a large number of subsidiaries or affiliates of foreign companies doing busines in India. Often the majority foreign shareholders insist that theIndian company follows the same accounting year as its principal. This makes it possible for the foreign company to include the results of the Indian subsidiary or affiliate company into their financial results as in some foreign countries, subsidiary company accounts are either required to be merged or shown separately with the accounts of the parent company. If all such Indian companies are forced to change their accounting year, it would result in considerable difficulties for foreign companies which may be unable to comply with the law relating to the merger of accounts legislated in their countries.

'While there is a case for making the proposal applicable to individual assessees, the balance of public convenience dictates that the organised corporate sector is best exempted from this proposal'

It also needs to be pointed out that many companies doing business in India are engaged in cyclical and seasonal businesses in which profits accrue accordingly. Consequently, such companies have adopted a certain accounting year after taking into account the fact that the bulk of profits accrue at a certain point of time. Such seasonal fluctuations necessarily have to be taken into account and therefore such companies should be permitted to adhere to their existing accounting years.

In order to avoid these practical difficulties which the corporate sector is likely to experience, it would be advisable to exempt public limited companies from the uniform accounting year proposal. While there is a case for making the proposal applicable to individual assessees, the balance of public convenience dictates that the organised corporate sector is best exempted from this proposal.

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Ranbaxy's new project

The New Delhi-based Ranbaxy Laboratories Ltd. (sales: Rs. 71 crores in the year ended 31st December 1985), the well-known drugs, pharmaceuticals and consumer products manufacturing company, is all set to stage an entry into the agro-chemicals business. On 18th August, Montari Industries Ltd. (MIL) — an enterprise promoted jointly by Ranbaxy and the Punjab Agro Industries Corporation — entered the capital market with a public issue of 51,00,000 equity shares of Rs. 10 each and 4,00,000 15% secured convertible debentures of Rs. 130 each, both at par, to part finance its Rs. 7.80 crore agro-chemicals plant near Ropar in Punjab.

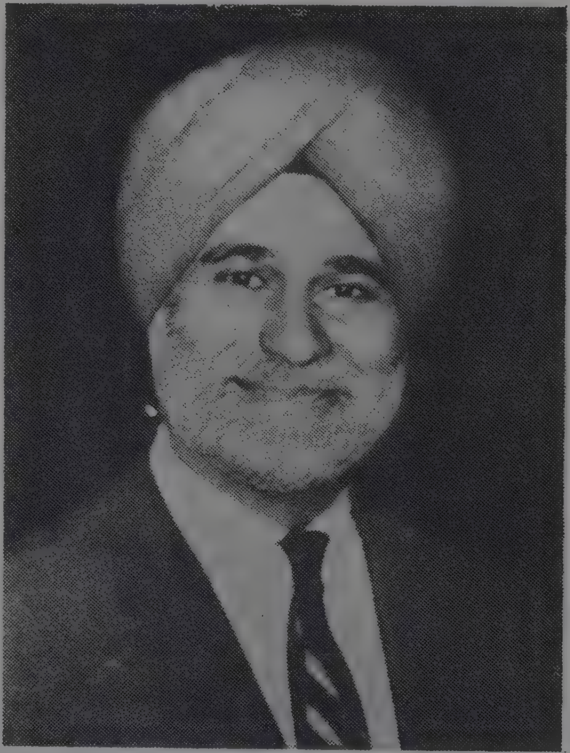
The plant, which is expected to go into production by the end of the year, will manufacture butachlor and isoproturon — weedicides for rice and wheat respectively. With an estimated 30%-40% of the country's wheat and rice production lost as a consequence of weed infestation and inadequate weed control methods, the company's products are likely to prove a boon to the much neglected agricultural sector.

Comments Bhai Mohan Singh (65), the widely respected chief executive of Ranbaxy and chairman of the recently promoted company: "MIL's products will have a major beneficial impact on the economy. Our chemicals offer twin benefits — an elimination of weed-related crop destruction and a marginal increase in crop yields. Currently, agricultural inputs such as fertiliser and manure are also being consumed by weeds, further reducing yields. But with a wider usage of weedicides weeds will not have a chance to grow and the result will be healthier yields."

Import substitutes. A factor that lends additional significance to MIL's agro-chemicals venture, asserts Singh, is that the company's products will be import substitutes. Currently the country's requirement of butachlor is pegged at 1,200 tonnes per annum which is met entirely through imports. And in the case of isoproturon, only a fraction (28%) of an annual requirement of 1,500 tonnes is produced indigenously. Against this backdrop, MIL's installed capacity to manufacture 500 tonnes per annum of each of the two chemicals may seem a drop in the ocean, but it is a big step forward in shoring up the country's agro-chemicals manufacturing base, says Singh.

Given the huge potential demand for MIL's products it is little wonder that the company is entering the marketplace with confidence. Says Singh: "We are very optimistic about MIL's prospects because our products are import substitutes and essential agricultural inputs.

MIL's marketing effort will be backed up by the company's co-promoter, Punjab Agro Industries Corporation, a state government-owned enterprise well known for its promotion of agro-industries and the marketing of agricultural inputs in Punjab. The corporation has a tiny — but significant — 3% stake in MIL's paid-up capital of Rs. 2.85 crores. The corporation — much in the news lately for its proposed soft drinks and food processing venture with Pepsico and Voltas — also boasts an extensive marketing network comprising 78 retail outlets and 700 stockists in Punjab. These distribution channels will be pressed into service to market MIL's products in the state.



Singh: import substitutes

Though MIL's main line of business will be the manufacture of weedicides, the long term objective of the company is to widen its manufacturing base to include insecticides and fungicides. For the present, however, the company also intends to undertake the marketing of widely used pesticides. "By the end of 1987 MIL is likely to attain a sales turnover of Rs. 8 crores," says Singh.

Impressive credentials. This target seems eminently feasible given the impressive credentials of MIL's promoter company Ranbaxy, which has a 37% equity holding in the new enterprise. Commencing manufacturing operations in 196 Ranbaxy is currently ranked the six largest pharmaceutical company in th country in terms of annual sale Ranbaxy's wide-ranging interests in th "health care" business as Singh terms i include formulations, bulk drugs, veter nary products, surgical dressing laboratory chemicals and reagents, an diagnostic kits (soon to enter th market).

The company is obviously prosperin because sales are expected to shoot up t over Rs. 90 crores in 1986 from Rs. 7 crores in 1985. The performance of Ma India Ltd., a Ranbaxy-promoted company that commenced the production c drug intermediates a little over a yea ago seems to have been equally remarkable — sales are projected at an impressive Rs. 11 crores in the year ended 30t September 1986.

Little wonder then that both investo response and MIL's success in the marketplace seem a foregone conclusion.

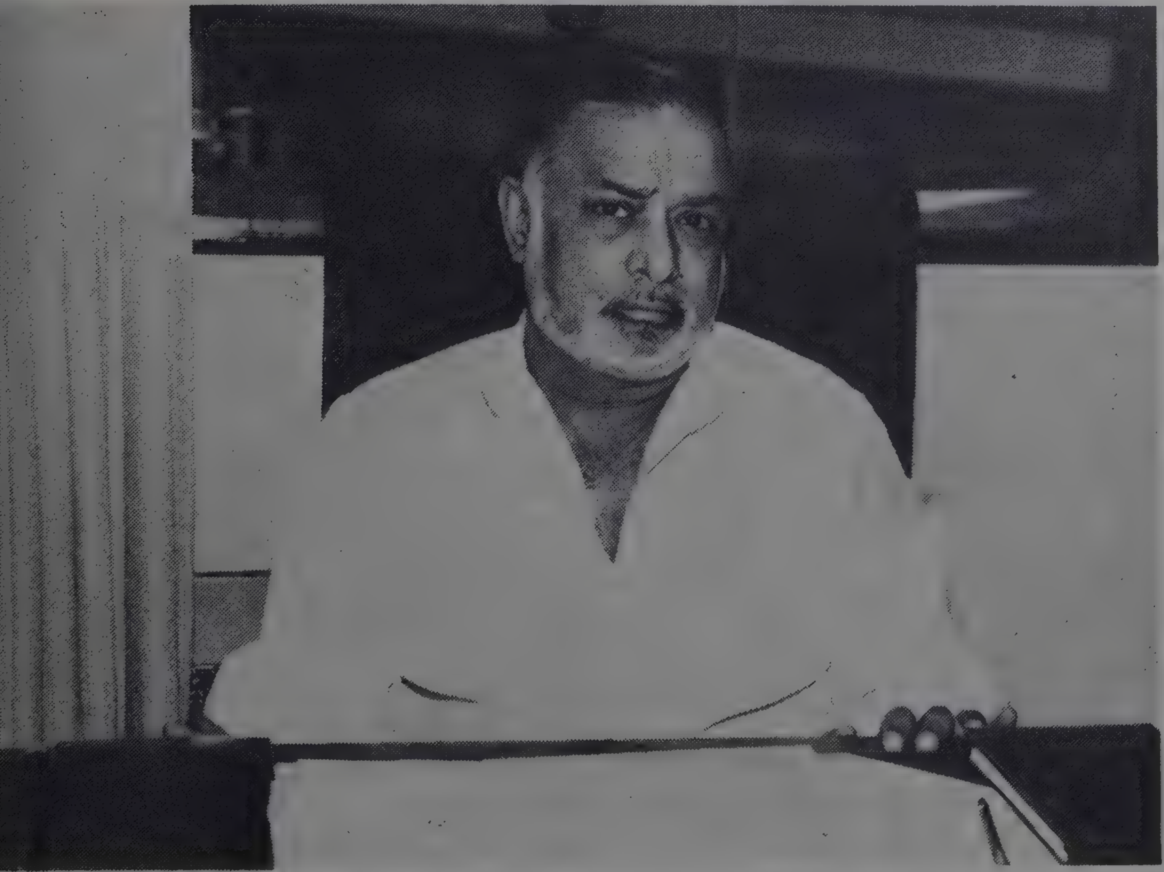
KAVITA BERY IN NEW DELHI

20th Century's issue

One year ago, the scrips of just about any leasing company would have been regarded as being a good investment bet. Much water has flowed under the bridge since then and today the average investor tends to a certain wariness in putting good money down on a leasing company, a reluctance which is not unrelated to the widespread practice amongst leasing companies of classifying lease rentals as profits and using other accounting fiddles to exaggerate profits in the short run.

But notwithstanding growing investor awareness of the fiddles of leasing companies, Devendra Ahuja (46), chairman and managing director of the country's largest leasing company, 20th Century Finance Corporation Ltd. (assets: Rs. 65.09 crores as on 31st August 1986) is convinced that his company has been unaffected by the general negative perception. Indeed, Ahuja is optimistic that when his company enters the capital market on 24th September with an issue of 5,32,325 13.5% secured redeemable non-convertible debentures of Rs. 100 each linked with an issue of 10,64,650 equity shares of Rs. 10 each (face value) at a premium of Rs. 10 per share, investors will respond enthusiastically.

Ahuja cites some impressive statistics to substantiate his optimism. "Our asset portfolio has grown from Rs. 7.46 crores



Ahuja: leasing has gained acceptability as a mode of purchase

n 1982 to Rs. 65.09 crores today, representing a growth rate of 193% per annum on the average. During the same period, the net worth of the company has increased almost 12-fold from Rs. 1.21 crores to Rs. 12.03 crores. We have consistently paid good dividends to our shareholders of 16% in 1982, 21% in 1984 and a record 27% in 1985. We have already paid an interim dividend of 16% for the first six months of 1985-86, and we expect the total dividend for the full year to at least equal the previous year's dividend. The market value of 20th Century's shares have also remained stable in the Rs. 50-60 per share range, even as the shares of other leasing companies have suffered serious losses in recent times. All these facts are indicative of our basic strengths and of continuing investor goodwill," says Ahuja.

Substantial scope. Ahuja also argues that the leasing business has now gained acceptability as a mode of purchase within the corporate sector, and that the growth of leasing is now poised to move into the fast lane. "We expect to increase the size of our assets portfolio to Rs. 72 crores in 1985-86, and to over Rs. 88 crores in 1986-87. This is adequate proof to us at 20th Century at least, that there is substantial scope for growth in the leasing business."

Ahuja claims that the only barrier to rapid growth is the shortage of financial resources, which is why he claims that leasing companies have to return to the capital markets frequently to augment long term funds. "Internal fund generation is not large enough to finance rapid growth, so we have to return to the market every few years," says Ahuja.

Yet, Ahuja admits that the company's recent diversification into merchant banking (organising syndicated foreign currency loans and managing public issues of corporate paper) and its proposed diversification into the credit cards business is another reason why 20th Century is entering the market for the third time.

"We have no plans to diversify into manufacturing, because our strengths are in marketing financial services, and we want to remain in areas where we have established competence. We also believe that leasing and other financial services are both profitable and fast growth businesses, so there is no urgent need to diversify out of these lines of business." Ahuja is clearly banking on investors subscribing to a similar optimism when 20th Century's Rs. 8 crore public issue opens for subscription on 24th September.

MICHAEL NERI IN BOMBAY

Quick response

With housewives increasingly switching over to synthetic detergents for their domestic washing and cleaning chores, the detergent industry has been growing at a fast clip (estimated average annual growth rate: 20%) during the last five years. By 1990, industry projections indicate that detergents will account for more than half of the total fabric washing products market. This will require a substantial increase in the volume of production of synthetic detergents such as linear alkyl benzene (LAB) which has now almost wholly replaced dodecyl benzene (DDB) as the major ingredient in synthetic washing powders.

In a quick response to this projected situation, the Tamilnadu Industrial Development Corporation Ltd. (TIDCO) — a state-owned development institution which has so far co-promoted 45 projects involving a capital outlay of Rs. 615 crores — and the blue chip Southern Petrochemical Industries Corporation Ltd. (SPIC — sales: Rs. 527.66 crores in the year ended 31st December 1985) have jointly promoted Tamilnadu Petroproducts Ltd. (TPL). The new company will manufacture 50,000 tonnes of LAB annually and the Rs. 142 crore plant is under construction at Manali near Madras. In order to part finance the capital costs of the project, TPL proposes to enter the capital market on 18th September with an issue of 70.7 lakh equity shares of Rs. 10 each for cash at par aggregating to Rs. 7.07 crores. The major part of the investment cost will however derive from equity participation by SPIC (25%), TIDCO (26%) and loans from banks and term lending institutions.

Easy access. Speaking to the press in Calcutta recently P.S. Balasubramanian (48), a chemical engineering graduate of

Balasubramanian: easy access

Madras University and managing director of TPL says, "We received the letter of intent to manufacture 50,000 tonnes of LAB from the Central government after overcoming stiff competition from Hindustan Lever and Bombay Dyeing. One possible reason why the project has been awarded to TPL is that we have the advantage of easy access to kerosene — an important raw material — from Madras Refinery Ltd. which is situated next door to us, through an exclusive pipeline. This will save TPL the enormous cost and bother of transporting the 2.5 lakh tonnes of kerosene we will require over long distances." The other major raw material required to manufacture LAB, *viz.* benzene, is also abundantly available from the same source.

According to Balasubramanian, the process knowhow for the manufacture of LAB has been supplied by UOP International Inc., Illinois — 75% of global LAB manufacture is based on the digital distributor control system pioneered by this US-based firm — for a fee of Rs. 14 crores in foreign exchange. Moreover, TPL has also roped in UHDE India Ltd., Bombay, for detailed engineering services for the project.

Balasubramanian points out that the aggregate production of synthetic detergents in India is expected to increase from 3.72 lakh tonnes in 1983 to 1 million tonnes by 1990. The demand for surfactants such as LAB is consequently expected to increase from 44,000 tonnes per annum currently to 1.26 lakh tonnes by 1990. Besides, the demand for surfactants for miscellaneous applications and for the manufacture of laundry soaps is also expected to increase proportionately.

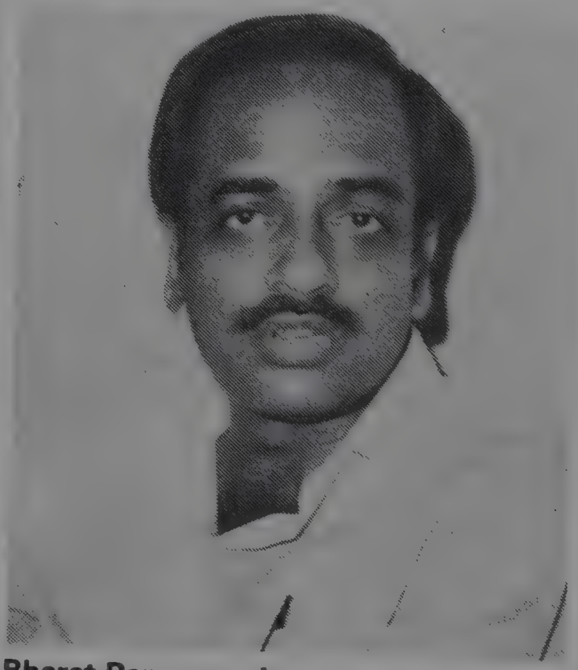
Thus, by 1990 the aggregate demand for surfactants is expected to be of the order of 1.5 lakh tonnes and as such Balasubramanian foresees no difficulty in marketing the LAB manufactured by TPL. The other two companies which will battle with TPL for market shares are Indian Petrochemicals Corporation Ltd. in Baroda (which now has an installed capacity to manufacture 42,000 tpa of LAB) and Reliance Industries Ltd., which has recently been awarded a licence to manufacture 50,000 tpa.

Yet, Balasubramanian is unfazed by the prospect of competition. "The demand will still outstrip supply," he says confidently. According to him, TPL will achieve a turnover of Rs. 27 crores in the first six months of June 1988 and for its first full operating year running from July 1988 to June 1989, the company expects to notch up sales of Rs. 74 crores. According to him, TPL's break-even point is at 66% of capacity and a tonne of TPL's LAB will be sold for Rs. 18,000 *cf.* IPCL's current price of Rs. 22,000 per tonne. All these plus points are likely to wash well with prospective investors, too.

ASHOKE K. LAHA IN CALCUTTA

Bharat-Ram's big league debut

The extremely low profile Arun Bharat-Ram (46), managing director of Shri Ram Fibres Ltd. (SRF — sales: Rs. 74.26 crores in the year ended 30th September 1985) is fast moving to centre stage within the well known Shri Ram group of companies (aggregate sales: over Rs. 700 crores in 1985). Close on the heals of launching two major diversifications in recent times — SRF Nippon Denso for the manufacture of state-of-the-art auto electrical components and SRF Finance, a new wave leasing company — Bharat-Ram this time around has chosen to embark on a massive expansion of the parent company's (i.e. SRF's) industrial synthetics and industrial fabrics divisions. Consequently, SRF went to the market on 4th September with a rights issue of secured convertible debentures which is expected to canalise a handsome Rs. 20.50 crores into the pany's coffers.



Bharat-Ram: massive expansion

SRF is offering these debentures which have a face value of Rs. 200 each, in the ratio of one for every six equity shares held. While the non-convertible part of Rs. 100 of each 13.5% debenture will be redeemed in nine years, the convertible part will be transformed into four equity shares in SRF at a premium of Rs. 15 per share within the next six months. Not a bad deal for SRF shareholders, given that the company's Rs. 10 scrip is curr (26th August) quoted at around Rs. the Delhi stock exchange.

Despite the rather subdued den for nylon tyre cord, SRF's prime proc which is under the constant pressu cost increases, and was until recently timised by liberal imports, Bharat- is confident that better days are ah "Not only has the free import of N 66 on OGL been stopped, but our b philosophy of looking at our produc an industrial yarn is beginning to pay With an aggressive marketing strat we will soon set up downstream unit produce a variety of nylon-based ducts such as belting ducks, defe fabrics, tarpaulins and chafer fabri he says. Indeed, SRF's product range expanded over the years to include ny moulding powder and fishnet twine well as dipped tyre cord for small t manufacturers.

Increased capacities. With the Un government having made plain its int tion to allow units to increase capacit to attain the economies of scale, SRF been quick to virtually double its existi 6,335 tonnes per annum (tpa) capacity a more respectable 12,000 tpa. "In t first phase, we will increase capacity 9,450 tpa by the upgradation of techn ogy in the spinning and draw twisti sections with a minimum of investme and entirely in-house expertise. The se ond phase will see the installation of different size of tube and spindra machinery which will cost us around R 25 crores," explains Bharat-Ram. Th will enable SRF to give competitive com panies such as Nirlon, National Rayo Baroda Rayon, J.K. Synthetic Garware Nylon, Jagatjit Cotton Textil Mills and Century Enka which are als expanding their scale of operations,a rea run for their money.

It is in response to this intensified competition within the marketplace that SR has in recent times been investing in research and development, not only to improve quality but also to expand its product range. "At this very moment, we are test marketing a new range of industrial products for the core industries developed by us. This range is being introduced in the country at the same time that it is being made available in the US market if my information is correct," says Bharat-Ram, refusing to divulge the exact nature of this wonder product range. It is of course an open secret that SRF has plans to produce polyester industrial yarn and nylon engineering plastics as well, for use by the defence, automotive and railway sectors.

"In most countries, only 30% of the annual production of nylon 66 of the avge firm is used as tyre cord. Likewise, r objective is to ensure the widespread e of this material in a variety of procts. This is perhaps why even this year, spite rather subdued demand, our es turnover is poised to grow from Rs. odd crores in 1984-85 to Rs. 85 ores," declares Bharat-Ram. Indeed, th the current expansion of SRF's plants cated in Manali and Viralimalai in mil Nadu, it is well prepared to surge st the Rs. 100 crore mark next year.

As if this were not enough, Bharatam is busy putting the finishing touches two other major diversifications. "We e in the concluding stages of tying up foreign collaboration for the manacture of refrigerant gases. This is a oduct for which the technology is not ailable indigenously and is in fact very osely held worldwide by a few multinaonals. There is considerable demand r the product and we plan to start by tting up the unit in Rajasthan by the d of the year," says Bharat-Ram who ggests that the capital investment in is project will be about Rs. 20 crores.

xcellent prospect. Simultaneously, SRF ill also conclude negotiations with a orld leader to produce outboard otors, for the first time in the country. Not only is this an excellent business rospect, but a small input such as an utboard motor, driven by kerosene or a ombination of fuels, will greatly boost e productivity of small fishermen," laims Bharat-Ram. According to company sources, the possible collaborator as been identified as the Outboard Marine Corporation, USA, and a joint enture agreement is likely to be signed y December this year.

With a clutchful of exciting new proects on hand, Bharat-Ram is on his way building SRF as the flagship of his own ndustrial empire. In that sense, he may ell have arrived on the industrial cene in his own right.

NAND P. RAMAN IN NEW DELHI

Quick starter

Lucas Indian Service Ltd. (LIS), a wholly owned subsidiary of Lucas vs Ltd. (estimated sales: Rs. 60 crores in he year ended 31st July 1986), itself a oint venture of the TVS group and Lucas, UK, has also succumbed to the Japanese echnological invasion. The result is ndia-Nippon Electricals Ltd., a company promoted by LIS in collaboration with Kokusan Denki Co. Ltd., Japan, to manufacture electronic ignition equipment for automotive two-wheelers and portable generators at its new plant in Hosur, Tamil Nadu.

Balaji: entry attempt

Comments T.K. Balaji (38), a mechanical engineering graduate of Madras University, an alumnus of IIM-Ahmedabad and managing director of Lucas TVS: "This joint venture — which is both a technical and financial collaboration — represents our attempt to enter the high growth automotive two-wheeler market where we do not have much of a presence. Kokusan Denki — a Hitachi group company — which will subscribe to 20% of the equity, is Japan's largest company in the field of electronic ignition equipment and is an OEM (original equipment manufacturer) supplier to Suzuki, Honda, Yamaha and Kawasaki among others."

According to Balaji, the project cost of Indo-Nippon Electricals is estimated at Rs. 3.5 crores, of which Rs. 1.25 crores will be raised by way of equity capital, Rs. 2.10 crores by way of term loans and Rs.15lakhs by way of Central subsidy. LIS will subscribe to Rs. 40 lakhs of the equity capital, Kokusan Denki Rs. 25 lakhs and Harita Engineers (P) Ltd., the holders of the licence and an associate company of the TVS group, will subscribe to shares valued at Rs. 17.50 lakhs. The balance of Rs. 42.50 lakhs will be raised by way of public issue scheduled for 18th September this year.

New generation. Balaji says that the project has already progressed in considerable measure. The building work is complete and orders for the required machinery have already been placed. The company is scheduled to commence commercial production by the end of the current calendar year. "The target market consists of the new generation of automotive two-wheelers especially the new companies in this industry such as Ind-

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September 18, 1986	October 18, 1986 (With late fee)

Suzuki, Hero Honda, Kinetic Honda, Lohia Machines, Bajaj-Kawasaki, etc. We have already held discussions with Ind-Suzuki and Bajaj Auto for the supply of this equipment," says Balaji, who estimates the monthly production of these five companies at 45,000 units per month.

India-Nippon Electricals is expected to attain its licensed capacity of 6 lakh ignition systems in the fifth year of production when the company hopes to achieve a sales turnover of Rs. 2.70 crores. "Electronic ignition systems are not being manufactured in India though automotive two-wheeler manufacturers have specified them on their new generation of vehicles. We are also hoping that the existing conventional model manufacturers will also progressively switch over to installing electronic ignition systems on their two-wheelers because these systems offer many advantages to the end-users in terms of long term performance, durability, etc." says Balaji.

With a maximum production target of 6 lakh electronic ignition systems five years hence and with the automotive two-wheeler industry racing towards an annual production of 1 million units this year, Balaji anticipates few problems in marketing India-Nippon's new electronic ignition systems. Quite obviously he is banking on the company getting as quick a start as its product promises.

CHANDU NAIR IN MADRAS

Suchitra group's big plans

Suchitra Components Ltd., one of the six enterprises of the fast expanding Hyderabad-based Suchitra group, specialising in the manufacture of consumer electronic components, will shortly be introducing flyback transformers and deflection yokes for colour television sets into the marketplace. The company's fully automated plant in Yanam, an 'A' class backward area near Kakinada (A.P.) set up at a cost of Rs. 2.22 crores with technical collaboration from Lucky Gold Star Inc. South Korea (sales: $9,859.92 million or Rs. 11,832 crores in 1985) has an installed capacity to manufacture 5 lakh flyback transformers and deflection yokes per annum.

Samples of these components have already been sent out to prospective customers and, according to the group's chief executive K. Krishnam Raju (40), an electronics and communication engineering graduate of Hyderabad's Osmania University, "firm indications of purchase" have been received from several television manufacturers including ECIL, Crown, Televista, Weston, Orson, Beltek and Texla.

"I foresee no marketing problems. Indigenous production of colour television receiver sets is likely to rise to 1.2 million in 1987. We are aiming to meet 25% of the market requirement of flyback transformers and deflection yokes. In the first year, that is in 1987, we propose to make 3 lakh deflection yokes and flyback transformers equivalent to 60% of our installed capacity. This would mean a sales turnover of Rs. 8 crores, which I expect will increase to Rs. 12 crores in 1988 when we hope to attain full capacity," says Raju. Naturally the recent statement by a department of electronics spokesman, that from March next year, except for picture tubes and some integrated circuits, import of colour television components will not be allowed, has been well received in the company.

Raju: welcome statement

Another company. Meanwhile, work on commissioning the black and white television picture tube manufacturing plant of another company in the group, Suchitra Tubes Ltd., is fast progressing and the plant is expected to go on stream in December this year. Located in the Medak district of Andhra Pradesh, the Rs. 11 crore project is being established with turnkey assistance from the public sector from Bharat Electronics Ltd. The plant will have an installed capacity to produce 10 lakh tubes per year as against the 5 lakhs proposed originally.

"The capacity increase did not cost much since we saved about Rs. 1.5 crores on the original project estimate," says Raju. The company plans to produce 4 lakh tubes in the first year (1987); 7 lakh tubes in the second and 10 lakh tubes in the third year. Raju reckons the company will attain an annual sales turnover of around Rs. 20 crores in the very
year of production.

Incidentally, the Suchitra grou
standing in the marketplace is so g
that Suchitra Tubes' maiden public is
of Rs. 2.52 crores in April this year
oversubscribed 6.5 times — reporte
on the first day. Raju is confident
declaring a dividend in the first year a
commencing commercial production.

The Suchitra Tubes management
also going ahead with plans to divers
into the manufacture of colour pictu
tubes. The Union government's s
retariat for industrial approvals has giv
the company the go-ahead for putting
a plant to manufacture 10 lakh tubes p
annum and 50 acres of land have alrea
been acquired in Medak district for t
purpose. According to Raju, prelim
nary negotiations are on with ITT, We
Germany and NEC, Japan, for technic
knowhow. The project may also invol
foreign equity investment.

Yet another new venture is a Rs.
crore project also to be set up in Yana
for manufacturing soft ferrites, a ne
material used in the manufacture of d
flection components. A company und
the name and style of Suchitra Ferrit
Ltd. has already been incorporated f
this purpose. According to Raju, ferrit
will be manufactured in technical colla
oration with Thomson CSF, France. Th
plant will have an installed capacity
660 tonnes per annum and 80% of th
production will be consumed in-hous
says Raju. Initial production at the ra
of 500 tonnes per year, is likely to comm
ence in the first quarter of 1988.

Steady increase. Meanwhile, the group
mother company, Suchitra Electroni
Pvt. Ltd., which was set up in 1972
manufacture deflection components f
black and white television sets, has a
ready captured a 55% share in the n
tional market for these component
Sales have zoomed to Rs. 6.7 crores
1985-86 from a modest level of aroun
Rs. 2 crores in 1983-84.

With the commissioning of sever
new projects, the Suchitra group of con
panies will be in a position to suppl
almost the entire range of critical comp
nents for black and white and colou
television receiver sets to the indigenou
market. Not surprisingly, Raju is o
timistic that the group's turnover wi
cross Rs. 100 crores — from a mere R
12 crores in 1985-86 — by the year 1996

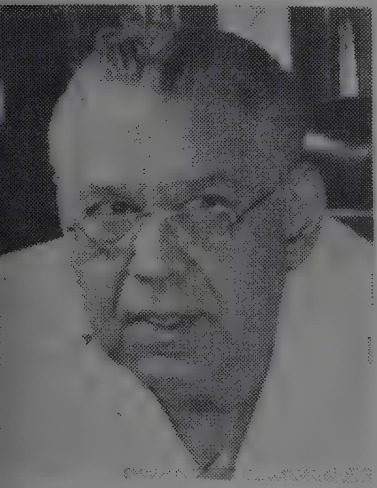
With the long awaited electroni
boom finally showing signs of materiali
ing and given the Suchitra group's trac
record thus far, Raju's hopes are likely t
materialise.

N. RAGHAVAN IN HYDERABAD

BusinessWorld
September 15—28, 1986

Reflections on the excise imbroglio

AJIT HAKSAR



While the passage of time and change is as certain as death, a walk down memory lane with both time and change on pause, can be instructive. It can either be a rewarding exercise because some decisions of the past have paid off, or a penitent exercise if they turned out to be wrong. But above all, as a critique, the going back in the time machine can provide a lesson for actors on the stage as also those aspiring to be performers.

Cigarettes and excise have fashioned a lovers' lane worthy of exploration now that the dust has settled on the Supreme Court judgement on the PME (post manufacturing expenses) and the Modi Rubber (tariff item) cases. Readers may recall that in the 1983 PME case, the Supreme Court ruled that excepting the costs of transportation and final container/packaging, all other PMEs such as the costs of administration and marketing were part and parcel of the cost of production and hence excisable. In the Modi Rubber case the Supreme Court ruled that costs of capital, etc. were not deductible for excise duty purposes either. These rulings have provided much grist to the media which has not quite been able to distinguish between the prudence of professional managers and the imprudence of the non-professionals who now have to return money which the Supreme Court says does not belong to them.

MUNDANE REALITY

Objective observation shows that the lovers' lane is by no means mysterious. Instead of being romantic, the reality of it is simple to the point of being mundane. During the past decade, there may have been periods of anxiety for the managements of cigarette manufacturing companies because of uncertainty about which expenses were deductible but certainly none has at any time faced excessive hardship or suffering. Nor have there been any setbacks and new liabilities created for cigarette companies because of the judgements. In the final analysis, until the time when the judgement was delivered, every cigarette company benefitted in large measure and, if in retrospect, there was any sufferer, it was the exchequer for providing interest-free finance.

Indeed the excise drama in the cigarette manufacturing industry provides a case study of the virtues of corporate professionalism taking the long term view and thus avoiding the risks of short term gains that could turn sour. In today's context, when industry and commerce are being listened to, not merely heard by government, there is perhaps a lesson for mutual advantage.

In the latter half of the sixties, seventies and the early years of the eighties, the Central budget held no secrets for the cigarette industry. All that cigarette industry managers worried about was the number of pricing permutations and computations that would need to be done. It was jokingly said that, thanks to tobacco/cigarettes, budget-making had become a facile exercise. All that was required was to assess the gap after filling in all the columns of revenue then plug it with tar and nicotine working back from the amount in imbalance! Through no fault of its own, the tobacco/cigarette industry fell ill and the diagnosis of the family physician indicated steady deterioration with a prognosis of work without pay. But multiple references to the specialist were returned stamped 'sound health.'

By this stage the companies in the cigarette industry were finding it hard to make a living but since we are a nation that accepts fate and has great resilience, first there was a scramble to survive and then corporate attention was diverted to making a profit. Most of the organisations started doing reasonably well once again with their trading surpluses being augmented by innovative cost reduction strategies. Thus profits in the industry kept increasing steadily after 1974.

For reasons unknown (and in the retrospect perhaps erroneously), in 1974, s.4 of the Central Excise & Salt Act 1944, was amended. The companies were on the horns of a dilemma and unable to understand the full significance of the change. It was said and alleged that on reference by the industry the author of the new section stated that he was not responsible for implementation and the implementor said he did not know what was to be implemented!

CHANGED COMPOSITION

A simultaneous development was that the composition of the industry changed. The Narsee family, which had successfully fought the alien giants and added a new dimension to the industry, sold out their interest possibly because of ill health of the senior members in the family and the inability to stomach public shareholding. The Elias group bowed out of India. The principals in the UK Godfrey Philips were taken over by Phillip Morris who in turn made a deal with an industrial group in India. The industry stood divided between the professional old hands working in the legitimate tobacco business in a legitimate way and the new entrants who looked at the new tobacco industry as a money-printing machine via risky interpretations of the excise law.

'In the final analysis, until the time when the judgement was delivered, every cigarette company benefitted in large measure and, if in retrospect, there was any sufferer, it was the exchequer for providing interest-free finance'

The floodgates were opened. Pragmatic and nation-oriented representations for rationalisation of excise were rejected by government. Requests to plug loopholes that were making it difficult for the professionals to function and compete on a clean basis were ignored. The industry sank into a morass with several cigarette manufacturing companies shifting production operations to Sikkim to take advantage of a lacuna in the law. Every interpretation of the law was used to arrive at the lowest assessable value on which excise had to be paid and even this shrinking area was enlarged on the basis of the tariff item (Modi Rubber) case.

The storm really began brewing after the Janata annual budget of 1977-78 when the separate *ad valorem* excise duty on tobacco was abolished and a new structure based on a fixed amount payable on tobacco and thereafter on cigarettes on an *ad valorem* basis was introduced. While there was some virtue in this, many implications were neglected leaving many a loophole; the rules were still unclear.

Then the clouds burst. The long delayed but welcome correction of the lacuna relating to Sikkim was at last made. The Supreme Court judgement in the PME case was delivered in May 1983 with the rulings thereon following in October that year. The final containers and freight, constituting the bulk of the PME claims, were allowed; others, constituting a smaller element in total, not. Recently, the Supreme Court pronounced its judgement on the Modi Rubber case in favour of the government. Somewhere in between PME and Modi Rubber, the prevailing structure was scrapped and excise duty imposed on the retail price of cigarettes.

'With improved purchasing power, despite high trade margins and with the retailers setting their own prices, the government revenues from the tobacco industry have burgeoned while the cigarette companies are making bigger profits even as the trade is happy'

With the retail price excise impost, further floodgates were opened with certain manufacturers producing virtually the same brand at two prices but paying excise on the lower priced brand produced in larger quantities but sold at the higher prices. Finally now, a Central body has been established to obtain price structure clearances perhaps as down the line there were varied decisions and honest differences of views on understanding the situation. The cigarette industry goes on as a stream in the same way as Wordsworth said in his *Intimations to Immortality*: "Rainbows come and rainbows go, the stream goes on forever..."

CONSUMER FORGOTTEN

With improved purchasing power, despite high trade margins and with the retailers setting their own prices, the government revenues from the tobacco industry have burgeoned while the cigarette companies are making bigger profits even as the trade is happy. The only person who has not received a piece of the cake and has been forgotten is the consumer; and the relevant legislation to state the prices for his protection on the packet is now totally meaningless.

The business of the then Imperial Tobacco Co. (later India Tobacco Co. and then ITC Ltd.) was only the manufacture and sale of cigarettes. Perspective planning (1965-80) recognised that this activity has been, is and will continue to be, vital and the single largest source of finance for diversification despite ever rising excise duties. A few comments before reflecting on the company's management of excise *aprés* 1974 seem appropriate.

By the sixties, Imperial's national market share from near monopoly had dropped to approximately 33% and to as low as 16% in the eastern region. The bulk of the volume was in marginal markets and provided by marginal contribution brands. In actual terms, Imperial was making a loss, cutting into the sustaining profit it made on the manufacture and sale of its Charminar brand of cigarettes.

Even though the turnaround is another story, thoughts turn to the young marketing professionals who made it possible. They were Montu Ray (retired as deputy chairman, IT
Ajoy Mitra (retired as director, ITC), Khoshu Sen (who d
prematurely), J.B. Singh (now with the Oberoi group), R
Atal (retired as chairman, VST) and Sonny Pillai (curren
chairman, VST) in the earlier stages. They were succeeded
Ram Lakshman (deputy chairman, ITC), Jagdish Sap
(current chairman, ITC) and Satish Mehta who was the pers
at the wheel when the diversifications most needed to
supported by traditional business profits and who played
major role in managing the uncertainties of the exc
circumstances in the post-1974 period especially after t
storm of 1977-78.

Suffice it to say that the young professionals reinstated t
company's market shares in volume and turnover in keepi
with the perspective plan objectives. The loss was convert
into an improving profit with each successive year. E
1982-83, whereafter no diversification subsidies were nece
sary, the tobacco business' net profit turnaround was of th
order of around Rs. 20 crores with the prospect of a predicte
quantum jump in the net profit from this takeoff stage. It
most heartening to see that this has happened and that th
stricter vigilance in excise collection and the switch to levyin
excise duties on retail prices has assisted in improving ITC
bottom line.

BLESSING IN DISGUISE

It is also worth relating that the onslaught of GTC was als
weathered and proved to be a blessing in disguise because
helped cohesion in the company and proved the very muc
higher productivity that was possible.

It was the background given above that made possible th
prudent management of excise dues given the higher prof
and cash generation so that provisions could be made almos
in entirety to render unto Caesar what was Caesar's on th
basis of the Supreme Court judgements. It has bee
mentioned at the start that there was no real excise problem
only anxiety over the uncertainties of managing the number
game. The reflections above substantiate this. The proble
was how these uncertainties should be managed and provision
made. The uncertainties began in 1974, reached their peak i
the late seventies and early eighties and came to an end in Ma
1983 with the Supreme Court judgement in the PME case.

'It has been mentioned at the start that there was no real excise problem, only anxiety over the uncertainties of managing the numbers game... The problem was how these uncertainties should be managed and provisions made'

There were really only two issues. First PME, and then late
what has come to be known as the Modi Rubber case. I wi
reflect on them in this order within the context of the IT
board and the corporate executive committee's articulate
strategy and recorded policy that profit being adequate
proper provisions must be made for the uncertain. It was lai
down that the position was to be annually reviewed togethe
with the tobacco division's plans.

Further, the amounts in question would be held in a 'trus
controlled by deputy chairman Samir Ghosh in charge o
finance and the payments due were to be settled by hin
immediately the Supreme Court's verdict was known. A

credit goes to Samir for ensuring the absence of any cash or profit shortages up to the year of the PME-Modi Rubber judgements.

The figures bandied about make interesting reading and would have been sensational but for the professional prudence exercised by the company. If my jogged memory serves me well, it would not be far from the actuals to say that, at the time of the PME judgement, the position in ITC was as follows: (i) A sum of around Rs.4.5-5crores had been retained in the provision account and for the 15 month period ending 30th June 1983, it seems that even greater prudence had dictated the need to provide a larger cover for the 12 months to follow with a declared profit of only Rs. 8.70 crores instead of the planned realisation of around Rs. 12 crores. (ii) On the suggestion of the then chairman of the tobacco division, as he felt that the very large provisions were distorting the accounts, the board and the corporate executive committee agreed that subject to and only if the case-by-case high court judgements were favourable, the relevant amounts in the provisions could be taken into the profits. Over the years these provisions amounted to around Rs. 21 crores.

'Looking at the accounts of ITC after the PME judgement, it would seem that for one reason or another the ITC management decided to transfer all the provisions and the funds held into the profits of the company and then, in a sense, recycle them as extraordinary excise provisions in contrast to the normal manner in which provisions had been – and are usually – shown in the books of account'

ANTICIPATED LIABILITY

After the judgement the liability of the company worked out to around Rs. 9-10 crores, as had been anticipated. This liability was more than covered by the provisions, claims for excess tax paid and the more than substantial interest earned. So much for PME, in which, if anything, corporate professionalism enabled the company to emerge well on the plus side as well as keep the money in the kitty. On the other hand, a short term non-professional approach could well have caused embarrassment.

Coming to the Modi Rubber case, the company felt that the manufacturers' demand to arrive at a lower assessable value for excise calculation purposes was untenable but, as the case was already in the courts, it intervened as a consequence of which it was ruled that 50% of the amount would be held by the company and 50% by the government with no liability on either side for any accrued interest once the case was settled. The ITC board and corporate executive committee issued a dictat that these amounts would also be 'trust funds' kept liquid in Unit Trusts or in a similar manner.

This was done and the amounts so set aside of between Rs. 55-65 crores were readily available in the company coffers for immediate return to the government for the past period in question as soon as the case was decided. Here again, the decision of the board to act as trustee resulted in the company once again emerging on the winning side without having to carry any burden for past operations.

These reflections, which are the consequence of repeated requests from well-wishers, are now possible as neither the PME nor the Modi Rubber cases are *sub judice* and in corporate professionalism, open functioning is a way of life.

Looking at the accounts of ITC after the PME judgement, it would seem that for one reason or another the ITC management decided to transfer all the provisions and the funds held into the profits of the company and then, in a sense, recycle them as extraordinary excise provisions in contrast to the normal manner in which provisions had been—and are usually—shown in the books of account. The consequence nevertheless was that the company weathered the uncertainties storm over a very long period of time (1974-83-86) by virtue of the board functioning as trustees.

Any company facing a depressing distortion in profits over a period of time because of regulatory or other reasons needs to be careful about the inevitable and predictable artificial profit bulge that will inevitably follow the transfer of contingency provision funds into profits. This can set in train speculation, provide an opportunity for a block shareholder to unload and cause strain in maintaining future profits at this artificial level. Most important, managers can be demoralised by higher profits without any increase in the company's activity, as personnel growth is not possible without expansion of business activity.

ACCEPTED PRACTICES

Recently some accusations of imprudence have been made against ITC under my chairmanship which seem invalid. It is standard accepted practice for dealers, agents and associates (especially so in the car industry abroad and in India) to promote their principal's business from their own earnings from discounts and commissions and to use their resources as they consider fit. This is a practice to be encouraged to stimulate competition, enlarge sales for higher capacity utilisation, productivity and the public good. It is also a good practice for manufacturers to encourage this through better discounts/commissions for the same reasons. Furthermore, is it not in the public interest that prices are reduced?

There are several lessons of mutual advantage in the foregoing recitation:

On the part of the government. (i) Why change for the sake of change? Why open Pandora's box of multiple interpretations? (ii) Indirect taxation for maximising revenue seems best when the interests of all involved are fairly and objectively considered. When they are not, a catalyst for undesirable practices comes into being. (iii) The professionals in industry and commerce are as concerned about national interests as those in government and very often their recommendations are sounder when tested rigorously with objectivity.

On the part of industry. (i) Be corporate professionals. Take the long term view and be trustees of the contingent liability funds set aside. (ii) Make profit in a clean competitive manner in the marketplace and not through legal interpretations that serve personal interests. (iii) If you owe money, pay it up without delay especially if it is in the kitty.

It would, perhaps, not be wrong to say that the tobacco/cigarettes and excise drama which was enacted for over a decade was unnecessary and could have been avoided. It would also perhaps be right to contend that if the knowledgeable advice given had been heeded, government would have been netting as much revenue as it is getting, if not more. And this revenue would have also been possible with a lesser burden on the public, with better productivity, larger exports, without big black money being generated. Other benefits without at any time neglecting the social responsibility connected with smoking and health, could also have been derived.

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BusinessWorld
September 15—28, 1986

Speech therapist

One of the most interesting and lucrative careers in the field of para-medicine is that of the speech therapist. This highly skilled profession is relatively new in India and until recently, those wishing to specialise in speech therapy had perforce to study the subject abroad. Although this profession is gaining increased recognition in this country, there are very few training facilities, particularly at the postgraduate level. The slow development of this profession has been due to the ignorance of the importance of remedying speech and auditory defects. Parents and teachers hitherto tended to overlook all but severe speech defects in children until it was too late, unwittingly creating social and psychological problems.

Today however people by and large are more aware of the benefits of medicine and its related services. A child or adult with speech and auditory disorders—afflictions more common than is believed—is no longer an embarrassment to himself and his family. With the aid of a speech therapist, such disabilities are easily rectified—but with patience and endurance on the part of the patient, therapist and family.

In India, a speech defect is a major deterrent to social acceptance and employability. It restricts contact with people and the free expression of ideas, feelings and needs. In adults, speech defects lead to problems of employment, marriageability and social behaviour.

Range of disorders. Speech disorders are not uncommon, and are of many types. Delayed language and speech disorders, for instance can often be caused by hearing deficiency or loss or mental retardation. Language disorders such as autism or elective mutism are due to brain damage or severe emotional problems or shock, or rejection symptoms caused by emotional trauma such as broken homes or violence. Voice disorders range from relatively simple conditions such as huskiness to nasality or puberphonia (high pitched voice in a male). A disorder of fluency i.e. stuttering and stammering is probably one of the most common and easily overcome defects. While the cause for stammering is unknown, it is generally accepted that it is often triggered by trauma or insecurity.

The listener's reaction to this defect is most important. Many of those who stammer can sing with fluent ease—usually because they are confident of the words and their order. Small children often stammer but this is usually a primary hesitancy. Says Kermin Merchant, a speech therapist working with the Spastic Society, Bombay: "Stammering in children between the ages of two to three-and-a-half is quite common and eventually disappears." A child often has a lot to say but not enough command of the language, so he stumbles. Undue attention should not be paid to this. Tense mothers tend to aggravate the situation." Structural (physical) abnormalities can also lead to speech defects as in cases of a cleft lip or palate or oral structural defects. Other applications of speech therapy cover brain damage which affects speech muscles, stroke patients and cancer of the larynx.

The ignorance of the benefits of speech therapy results in untold trauma for patients, particularly those from the lower or zero income groups. What is actually needed, especially in a country such as India, is a large-scale and continuing education and awareness programme. Most people are under the impression that a speech defect is a life long disorder. In actuality, if the defect is detected early enough, it can be completely cured. A speech therapist should be consulted if a child is not speaking by the time he or she is two or if there is any sign of brain damage or cerebral palsy (spasticity).

> **'A speech therapist necessarily requires a good ear for sound, clear articulation and a communicative personality. A warm, open manner in addition to great patience and perseverance is essential in a good therapist's approach to his or her patients'**

Therapy units. Facilities for therapy range from the speech and auditory units established at all municipal hospitals where testing and therapy can be done at minimal charges; regular camps held by charitable organisations such as the Lions and Rotary clubs; special schools for the handicapped which run special speech therapy units; clinics and private therapists.

An individual aspiring to be a speech therapist should have completed the 12th standard examination with scienc subjects after which he or she is eligibl to enroll in an undergraduate paramedical course in speech therapy. A present the most reputable courses ar offered by the Mysore Medical College Mysore and the Topiwala Nationa Medical College, Bombay. Courses ar also offered in centres such as Chandigarh and Delhi.

The former two colleges are the only ones with the requisite facilities fo postgraduate studies in this field. Many social institutions which run schools fo the disabled also have teachers training courses with specialisation in speech therapy. Until recently, all graduate therapists had to go abroad to take their master's degrees. In Britain and the US especially, there are excellent facilities for specialised research for aspiring therapists and also for patients. However, audio equipment and communication aids which were previously all imported, are now being made in India.

A speech therapist necessarily requires a good ear for sound, clear articulation and a communicative personality. A warm, open manner in addition to great patience and perseverance is essential in a good therapist's approach to his or her patients.

There is a growing number of well paid openings available to the qualified speech therapist. Nearly all hospitals now have units for the treatment of speech defects and employ an increasing number of therapists to deal with patients. Special clinics also employ therapists as do schools and homes set up for the education of handicapped children. While most of these positions are full time, many opportunities exist for part-time work as well.

Private practice. In addition, most speech therapists are quite easily able to establish a private practice. Referrals are sent by doctors, teachers and parents, all of whom are now more sensitive even to minor speech defects. A therapist working in an organisation or hospital can expect to earn a monthly remuneration of between Rs. 800-2,500. Private practitioners charge between Rs. 40-80 per hour and charges for house visits could be between Rs. 60-80 per hour.

Speech therapy is ideally suited to those who have medical inclinations and are prepared to undergo stringent training programmes. In India where this profession is still nascent, there is great scope for personal growth and development in this new and valuable paramedical service.

Chandralekha Maitra

BusinessWorld
September 15—28, 1986

Dedicated therapist

Kermin Merchant (32), is one of the new breed of highly trained professional speech therapists in idia who are dedicated to the estab-shment and development of advanced ara-medical facilities in India to match ose available in the West. While edical education and the on-the-job aining of medical personnel have re-eived extensive encouragement and d from both the government as well as rivate foundations, para-medical ser-ces such as speech therapy have nded to be neglected.

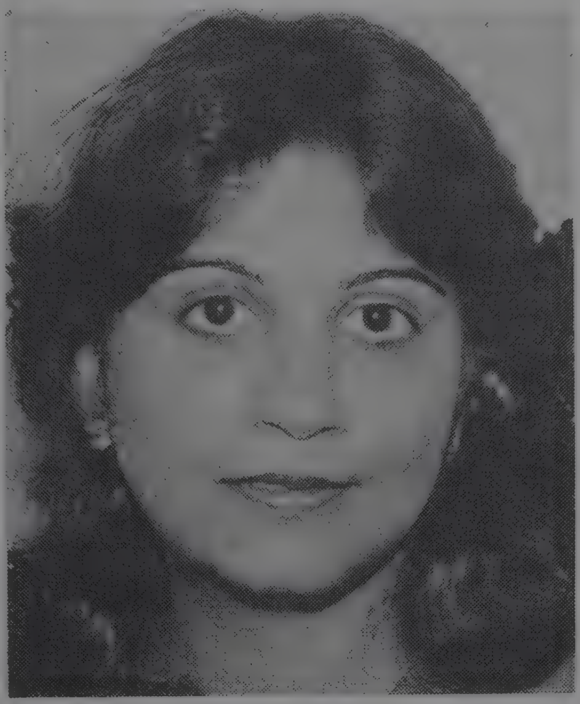
But of late, because of media expo-ure and enlightened education there is growing awareness and demand for ich services leading to positive de-elopments in many para-medical reas. Merchant is one of the most ighly recommended speech therapists Bombay. She works full time with the pastics Society of India which she oined in 1977 and has had extensive xperience in speech and auditory de-ects therapy especially in children.

Merchant was born and raised in ombay, the only girl in a family of four rothers. Her father was an automobile ngineer but the family also had exten-ve medical connections and Merchant eveloped an interest in medicine at an arly age. She finished schooling at the esus and Mary Convent, Bombay and ook her inter-science examination in lphinstone College, Bombay. Intent n pursuing a medical career, she was orely disappointed when she was de-ied admission to a medical college.

areer decision. With the active support f her family, however, Merchant then nade a career decision to qualify in a ara-medical line. Speech therapy was ne of the three therapy courses then ffered by Bombay University. Recalls Merchant, "I was planning to go into nedicine and work with children. The nain idea was to be associated with hildren. So I took up this para-medical ourse." In 1976, Merchant graduated rom Bombay's Topiwala National Medical College, which is associated vith the Nair Hospital, which was and till is the only speech therapy training nstitution in Bombay. She immediately et up a private practice at a clinic at Kemp's Corner, Bombay.

The following year she was offered a position with the Spastics Society. Till 1984, when her daughter was born, Merchant worked from 10 am to 3.30 pm for the Spastics Society and then from 4.30 pm to 7.30 pm at her own clinic. Speaking of the adjustments she had to make in order to do justice to both her family and her career, Merchant says: "I was and am very interested in my career. But I wanted to spend more time with my child, so I made a choice between my work at the Spastics Society and my private practice—and gave up the latter. Maybe it will be possible to resume my private practice later."

In 1983, Merchant was awarded a Commonwealth fellowship to Britain. She travelled extensively in that country visiting speech and auditory centres and studying advanced therapeutic methodologies and equipment. For Merchant, it was a most valuable exposure and she hopes it will not be long before some of the excellent services that have been developed—especially for non-verbal children—are made available in India. Some of the fascinating equipment that is available abroad includes high sensitivity typewriters. These have a head pointer attachment with which a child who is unable to use his hands can type with movements of his head. Then there are small portable communicators which print out conversational messages. Computers have also become a major aid to the handicapped.



Merchant: career decision

Merchant explains some of the many techniques used in her work: "Some of the alternative methods of communication that can be offered to a non-vocal child are gestural language to enable him to express his needs, the use of which can be encouraged from a very early age; sign language and spelling—there is now a standardised sign language understood the world over where a child uses his hands and fingers to express a word or action or to spell; communication and picture boards—these are developed after careful evaluation of the child's physical capability and intellectual capacity. In addition there are typewriters, recorders, etc. But regardless of the alternative method of communication introduced, it can always be paired with speech to maximise the opportunity for better understanding."

Merchant also works as lecturer for two teacher training courses run by the Spastics Society. The course is of a year's duration while the 'management in cerebral palsy' course for therapists lasts for six weeks. She started teaching in 1977, a couple of years after the courses were introduced by the Spastics Society. In addition, Merchant also lectures at the two week rotating courses for therapists.

Retrogressive effect. Merchant feels that in India people are not very sensitive to those with speech defects. For instance, most people tend to display impatience and finish sentences for the afflicted speaker who may have a speech defect such as stammering or language hesitancy. This often has a psychologically retrogressive effect. Also therapy, which can in certain cases take several years before there is noticeable improvement, tends to be expensive and is a financial burden on the average family. People who are unable to afford private therapists are forced to go to municipal hospitals which involves lengthy queues and repeated visits for the hard won reward of limited progress. Says Merchant: "Unless the defect is severe enough to affect and upset social and educational life, people tend to leave it alone."

In the context of traditional Indian society, females with speech defects are especially likely to be ostracised while opportunities for their education, employment and marriages are adversely affected. Merchant stresses the importance of widespread education and awareness as the primary steps towards seeking professional aid. "Each speech defect can be helped," says Merchant, "even if it cannot be cured completely, and most defects can be treated very successfully."

For the future, Merchant would like to see more qualified therapists enter the profession and help the process of establishing therapy clinics for all income groups. She feels it is a career of fascinating challenges and rich rewards, both emotional and monetary.

Chandralekha Maitra

BusinessWorld
September 15—28, 1986

Computers are for users

T.A. BALASUBRAMANIAN

It is high time that the computer industry woke up to a fundamental truth: computers are for users. Too large a proportion of the computer industry in India refuses to accept this commonsense proposition. Instead, managers in this industry continue to superimpose their own limited judgements and conclusions derived from borrowed marketing ideals and short term sales strategies on actual and potential customers. The result: insensitivity to the real needs of hundreds of users who, for not very logical reasons, buy whatever the industry sells—very much like the starved man who regards any crumb as manna from heaven.

Where this insensitivity to user needs shows up the most is in the infuriating difficulties experienced by users when attempting to make the software perform what it is supposed to do. To a lesser extent, the user faces hardware incompatibility nightmares which only technical wizards (mainly from a usually unresponsive pool of service engineers from the computer company) can untangle.

The excitement which users experience when working on a piece of new software (provided to demonstrate only the main working features) often fades when the actual package is installed and the deeper inadequacies of the product begin to pop up like demons from a magic bottle. Command-oriented software for data base management, for example, is currently being used by most computer installations. But given the paucity of good documentation and qualified training, the use of these by data base managers is a hazardous excise although the programs are truly fast and powerful. Although a user can quickly scan a file or locate a piece of data, he can just as quickly, unintentionally, erase a whole data base.

MISERABLE SITUATION

Inconsistency of commands is another trap for the unwary. In one program, a user may have to tap one key twice to enter data; in another program, the same action may delete data. To add to this miserable situation, every other month programs which are already in the market are upgraded into new versions that cost less and promise to do even more.

There is a bagful of accounting, inventory, payroll and sales statistics packages being unloaded into the software market for personal computers today. The accounting packages, in particular, provide a designer environment for financial accounting that may have little to do with the reality of users' particular needs. Agreed, the fundamentals of financial management are common. But how many designers can claim that they know business accounting as required by a specific user? How many designers anticipate the same problems that users encounter when setting up files, changing data, drawing up audit reports or creating accurate balance sheets?

Copy protection is another common software double-bind. Should the user be given the freedom to make 'limited' back-up copies of the software? Who is to check the use when he starts passing on copies to friends and associates? I this area, the user pays the price of contemporary inconvenience: the system disk (supplied only by the manufacturer o his authorised retailers) must be available for any copying to take place—programs cannot be copied directly from a hard disk.

Why is computing so difficult an exercise for the average user? The real problem—and this is not something that is likely to fade soon—is that two classes of people, the wholly uninvolved (non-users of computers and products) and the hackers (those very knowledgeable programmers and system designers) are making the decisions within computer marketing companies. Many of them have not got anywhere near an actual user for years. Their ideas about what users want are derived from the dictates of the marketing and promotional successes of computer software in the US or in the European countries. The concepts of spreadsheets, relational data base managers and presentation graphics are rooted in the success of specific well-promoted software packages in the advanced countries.

To be fair, however, it must be accepted that the software available today provides users with a decisive edge in productive work, organisation and access of data, creation of impactful and elegant reports and a rewarding and exhilarating experience of the possibilities of computing. All this, apart from the better known benefits such as speed, accuracy and compact storage.

Also, the tendency of the unscrupulous software user to copy (and allow the copying of) programs that have been crafted with great effort and investment has made computer software designers defensive and unsympathetic to genuine user convenience. A recent appeal by MAIT (Manufacturers' Association for Information Technology), which has almost all the Indian computer companies as its members, in *The Economic Times* (4th July 1986) warns chief executives of Indian companies using computers that they may become subject to legal prosecution. Under the Indian Copyright Act, 1984, both domestic and international software is now legally protected, and users caught red-handed with pirated software (without a written licence from the copyright owner any software package is considered to be pirated) could suffer a minimum sentence of six months extendable to three years, a fine of Rs. 50,000 and constitutional seizure of not only the software, but the computers used for running it.

> **'The real problem – and this is not something that is likely to fade soon – is that two classes of people, the wholly uninvolved (non-users of computers and products) and the hackers (those very knowledgeable programmers and system designers) are making the decisions within computer marketing companies. Many of them have not got anywhere near an actual user for years'**

For legitimate users of computer software, this is bad news. It means that the already uninvolved designer and the hacker will be required to divert a greater proportion of their resources to the task of evolving a larger number of copy protection schemes—no part of which contributed to the solving of authentic problems of the user's business. The dishonesty of a certain class of users has produced a ripple effect of more expensive software, less attentive software novation and a set of self-protective program designers. he end result is the same: computers move away from real ser needs.

There was a time when no one expected using a computer be an easy task. The technical and management problems ere taken to be part of the esoteric computer specialist's orld. Writing good programs was considered to be the pecial skill of a limited set of people. Nobody really expected stems to run smoothly from the beginning.

But in the past six years, the nature of computing has hanged dramatically and so have the expectations of omputer users. Today, the hundreds of users who invest in omputers do not have the time or the inclination to solve chnical puzzles and inexplicable quirks in hardware or ftware behaviour. Such puzzles may delight hackers (even day) but they most certainly embitter the average user.

CONTEMPORARY EXPERIENCE

To the average business or professional user, the computer simply a tool that is expected to be as dependable and easy operate as a typewriter or an adding machine. But the sual experience of users is that personal and business omputers are obstinate and perverse electronic animals that eed to be babied and boxed every time they are to work.

Adding to the problems of the user is the usually superior nd unhelpful attitude of computer marketing and servicing ersonnel, most of whom are under-trained technical bullies ho privately (sometimes openly) snigger and laugh at customers' mistakes. The boom in computer retail shops across the country today is mainly attributed to the fact that computer users feel less threatened and less intimidated in the casual and familiar surroundings of a public shopfloor.

There is nothing amusing about the ignorance of the average user. It is in the interests of the computer software and hardware design companies to invest time and resources into developing interfaces which make users comfortable. Easy-to-comprehend user interfaces have opened up the delights of computing to thousands of fresh users in the last three years: in the process, many computer marketing strategies have been revamped or even totally abandoned.

It cannot be denied that computing will require a learning curve, just the same way that cars require driving lessons. But the user today has every right to stand up and demand that the computer products that he invests in should not bewilder or make the learning process excessively difficult. There must be a concerted user movement to force user-oriented development of all computer software and hardware and accessories. When the computer industry is out of touch with the user and his needs and tends to treat every user, actual or potential, as an incompetent semi-literate or a potential law-breaker there cannot be an authentic service to answer user needs.

Computing can become easy and even fun when vendors, manufacturers, designers and retailers begin to empathise deeply with users, who, ultimately, deserve the best value for their money.

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Change and continuity in Chloride India

BY DEBJANI SINHA

Even as the bids and counter-bids to acquire the London-based Chloride Group plc's 51% shareholding in Chloride India Ltd. are being assessed, the Calcutta-based company has experienced several changes. A dauphin has been anointed in Exide House while the company gears for an era of competition.

For managers of the solid blue chip Chloride India Ltd. (CIL — sales: Rs.78.32 crores; pre-tax profit: Rs.14.54 crores in the year ended 31st August 1985), the country's *numero uno* lead acid storage battery manufacturing company, 1986 has been an extraordinarily eventful year. For one, this almost puritanically managed no-frills and very profitable company has thrilled its shareholders with a bonus issue in the ratio of 3:5 declared on 19th August which has sent the equity share of the company rocketing upwards in a market in which equity values have been sliding for some time. The company's equity share which was quoted at Rs.99 on 14th April is currently (29th August) quoted at Rs.123 in the Calcutta stock exchange.

But a weightier reason why CIL has been figuring on the front pages and gossip columns of the business press is that the company is on the shopping list of almost every industrial heavyweight in this country who has expansion and takeover plans in mind. Ever since it became common knowledge a few months ago that CIL's London-based parent company Chloride Group plc (sales: £310 million or Rs.573.50 crores in the year ended 31st March 1986) which owns 51% of CIL's equity was in the market as a vendor of its majority shareholding in its Indian associate, the takeover supremos have been dropping in at Chloride House, London, with significant regularity.

In recent months the race to acquire Chloride Group's majority shareholding in CIL has hotted up. At one point of time, the Calcutta-based industrialist and chairman of the Macneill & Magor group of companies B.M. (Biju) Khaitan, who through his overseas connection has already acquired a large enough share of the equity of India Foils (*BW* June 24 — July 7, 1985, p.26) and Metal Box (*BW*, August 19 — September 1, 1985), was widely tipped to leave the others standing.

Since then, other industry heavyweights including Manu Chhabria, the Dubai-based non-resident Indian who has acquired a sizeable stake in Dunlop India and is currently fighting a tooth-and-nail battle in the Indian courts to be recognised as the largest shareholder of the Calcutta-based Shaw Wallace & Co., are reported to have expressed interest. Though Khaitan's suit is reportedly receiving a more sympathetic hearing in Chloride House in London, the winner is "anybody's guess," says Jahar Sengupta (60), the tough chairman of CIL who is also a member of the board of Chloride Group.

Sengupta: different situation

Ironically, in 1982 when *BusinessWorld* featured a cover story n CIL (*BW* November 8-21, 1982) and roached the subject of Chloride Group – which had at that time embarked on selling spree of a number of its overeas subsidiaries — being in the market or its shareholding in CIL, Sengupta ad bridled at the suggestion. Not that Sengupta concedes the point that there nay have been some truth in those reports.

"There was absolutely no grain of ruth in those rumours. At that time here was no question of the parent group divesting its shareholding in CIL. The directors of Chloride Group had categorically said so and I in turn informed the press in unequivocal terms. However, the situation is very different now. The parent company has now decided that for a price — £50 million (Rs.93 crores) — they are willing to sell their 51% shareholding in CIL. Negotiations are being conducted with a number of potential buyers but nothing has been finalised as yet," says Sengupta.

The rationale behind the parent company's decision to divest, says Sengupta, is the Chloride Group's resource mobilisation exercise which is necessary as a consequence of the decision to set up a new technology plant in Britain for the manufacture of state-of-the-art sodium sulphide or beta batteries. "This has the exciting possibility of heralding a dramatic revolution in the technology of electrical power storage compatible with such revolutionary applications as cost-effective, pollution-free and noise-free city transportation, load levelling use by power generating stations and for strategic applications in space and under water. The project requires massive investment. Hence the decision of Chloride Group to divest its equity shareholding in CIL — if the price is right," says Sengupta.

The imminent change in the ownership pattern of CIL may usher in an unfamiliar culture into the company which may not blend with CIL's prevailing curiously Indo-Anglian corporate culture. This is an apprehension that most CIL managers share. And in the last few months the organisation has experienced a management reorganisation which has not been entirely painless either. Yet to Sengupta's credit, at a time when succession battles have rocked a number of contemporary corporations, the Chloride experience has been relatively smooth. Thus on 1st April this year, B.D. Bose (49) — deputy managing director since 1st October 1985 — was formally appointed managing director of CIL.

Bose: formally anointed

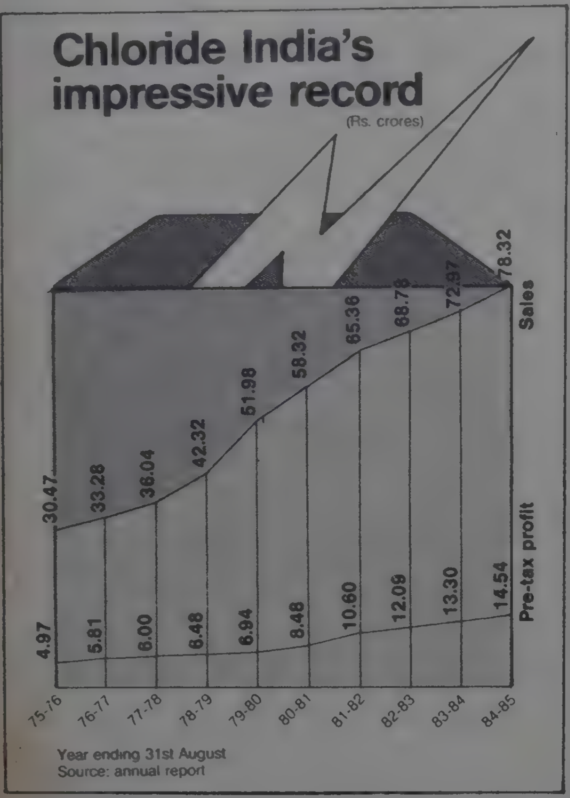
SUCCESSION PLAN

Under the formula incorporated in a carefully thought out plan "to ensure continuity in the organisation," Sengupta who has presided over CIL's destiny for 15 years, will continue as executive chairman until 1st April next year when he retires. But he will still be available as friend and guide in his paternalistic role as the non-executive chairman of CIL for another three years. "We have been working on a succession plan for at least six years," says Sengupta. "In fact, I was supposed to retire by end 1983; but at that time most of the Chloride Group companies were not doing very well while CIL was producing steady profits. At that time the directors of the parent company felt it was not quite the right time for a change in management. So I was asked to continue for another two years which I agreed to do," he adds.

According to Sengupta, under the CIL succession plan, the company commenced making several high level recruitments with the objective of finding a successor chief executive six years ago. Three years ago, it was made known to those who had been appointed directors, that they were competing for the chief executive's position.

"Every year I used to review their performance with this objective in mind," says Sengupta. "I would sit with them and point out their respective strengths and weaknesses. In the meanwhile, the directors of Chloride Group were also monitoring the performance of the identified potential successors and I was pleasantly surprised to find that they came up with the same name that we in India had in mind when we reached a final decision in 1985. And because this was a patently fair exercise undertaken over a number of years with the knowledge and involvement of all CIL directors, there were some ripples but no major upheaval when my successor was identified last year," he adds.

Ripples there certainly were. Unsure



Year ending 31st August
Source: annual report

of his chances in the succession stakes, Abhijit Sen, the MIT (USA) educated finance director left CIL to join the NICCO group; and immediately after the formal announcement of B.D. Bose as managing director on 1st October last year, S.N. Kuckreja, then marketing director, severed his 20 year tie with the company and accepted the position of chief executive of the R.P. Goenka-promoted India Polyfibres. As a consequence, the organisational chart of CIL indicates that Sengupta is firmly ensconced in the chairman's suite "to take care of the external pressures" and oversee certain key functional areas.

In the managing director's suite is B.D. Bose, (49), an electrical engineering graduate of Glasgow University and a cost accountant who signed up with CIL in 1977 after stints with English Electric, Crompton Greaves and Andrew Yule. A former director (manufacturing) of the company, Bose was appointed deputy managing director last September and managing director in April this year. And Bose entertains no illusions that the cushy times in the storage battery business are over.

REALIGNED STRATEGIES

"Until fairly recently we were in a sellers' market, but with recessionary conditions in the automotive sector and the economy as a whole, we have to realign our business strategies to enable us to operate efficiently in a buyers' market. The parameters of the marketplace are likely to change even more significantly in the future — the promised explosion in the automotive sector is yet to take place. At the same time the new liberal economic policies have encouraged substantial expansion in the existing capacities of storage battery manufacturers and encouraged the promotion of new units. To meet the challenges of sharper, more intense competition we will need to react faster to the changing environment by ensuring that our products are cost-effective, readily available and the technology and processes offered are the best available in the marketplace.

"Thus apart from a tighter grip on financial and production systems so that we eliminate wastage as far as possible, a new thrust will also be given to those management functions that have inadvertently not received the degree of attention that they warrant. For instance we are carefully examining our human resources development programme and our training schemes so that vacancies that occur in the organisation can be filled from within. Concurrently the R&D effort will also be given a greater thrust so that we are always the first in the market with a new range of products and applications," says Bose.

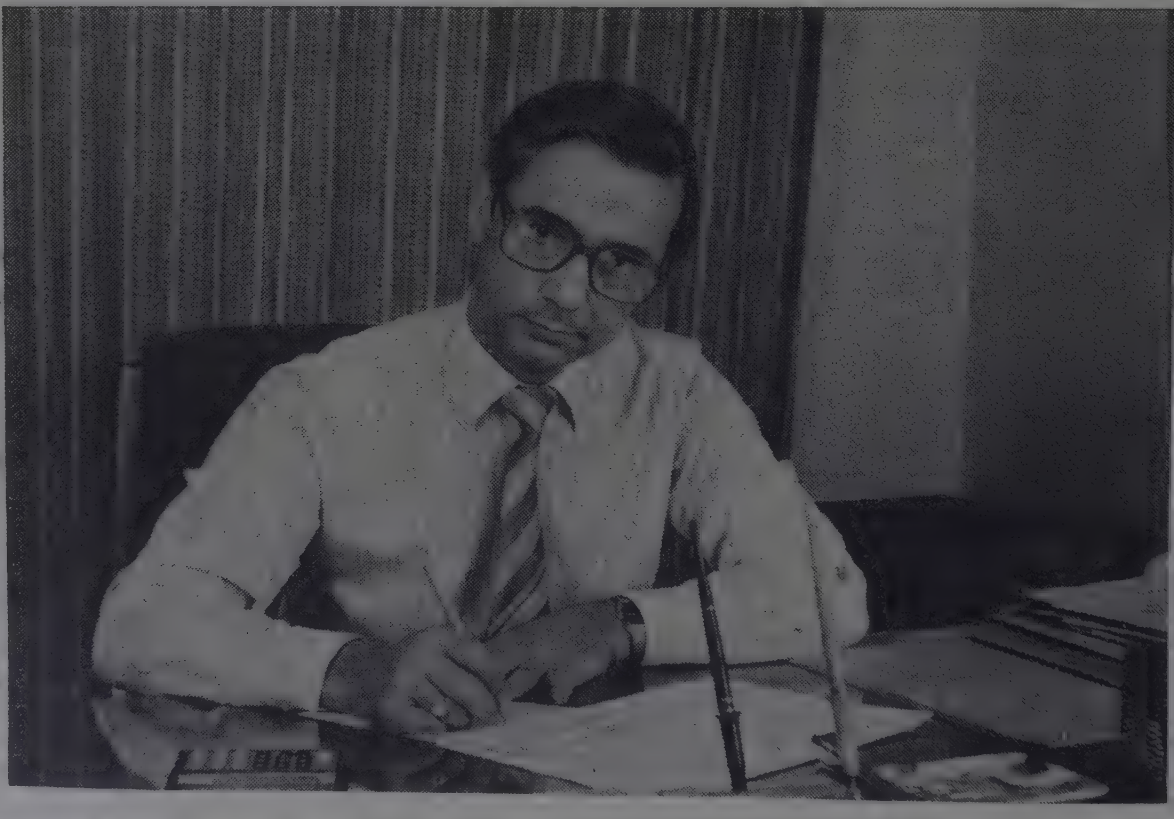
It is this tendency to anticipate problems and challenges and to tighten already taut financial systems which is Sengupta's major contribution to CIL. Indeed, CIL managers take a somewhat masochistic delight in the frugal culture of the company. In contrast with the plush high-ceilinged wood-panelled offices reminiscent of the splendours of the Raj of most multinational companies in Calcutta, Chloride's neat, functional but spartan offices are indicative of its corporate philosophy of carefully husbanding resources for the "greater good of the greater number" i.e., the company's 17,000 shareh ders.

ROCK-LIKE BASE

Not surprisingly the compan greatest asset is its rock-like financ base. CIL's net (i.e. minus excise d and taxes) sales turnover has ris steadily from Rs.47.78 crores in 1980- to Rs.65.54 crores in 1984-85. But mo significantly the company's pre-tax pr fit has risen by a handsome 71.5% Rs.14.54 crores in 1984-85 giving t company an unusually high net sale pre-tax profit ratio. Over the sar period, the net worth of the compa has risen from Rs.13.94 crores Rs.25.18 crores. Against this, CIL's tot debt of secured and unsecured loa aggregates a mere Rs.3.64 crores givi the company a remarkable debt-equi ratio of 1:6.90. Little wonder that th CIL management was able to declare second 3:5 bonus issue last month, bar on schedule at the end of the mandator interval of three years.

"I think a large number of new entries have been attracted to the storag battery business because of the solidit of the CIL balance sheet," says D.N Mazumdar (51), director (finance) o CIL who has had a long though interrupted association with the company "However, what most people do no realise is that we have never compromised on our strict financial discipline an in spite of adverse environmental pressures we have adhered to the financia norms that we have set for ourselves But even then, we believe there is room for improvement as far as our manage

Mazumdar: balance sheet solidity attracts new entrants



Automotive battery market shares *(1984-85)*

	Year ended	Sales (Rs. crores)	Market share (%)
Chloride India Ltd.	31.8.85	78.32	28.8
Standard Batteries	30.6.85	34.61	2.9
Willard India	31.7.84	22.71	4.7
Amco	31.3.86	28.00	4.7
Small scale sector	—	234.48	58.9

Source: BusinessWorld estimates

ment of debt is concerned and though our rate of taxation has come down form 59% to 54.8% during the last five years, by industry standards our tax burden is fairly high," adds Mazumdar, a fellow of the Institute of Cost and Works Accountants of India and an MBA from Calcutta University who left Chloride in 1980 for a Nigeria-based assignment when he felt that there was no room at the top for him. However shortly after his return to the Chloride fold, prompted largely by "personal circumstances" in 1982, the position of finance director was vacated by Abhijit Sen and filled by Mazumdar.

Quite clearly Mazumdar would be happier if the company's direct tax liability — CIL has paid Rs.38.27 crores by way of corporate income tax in the five years ended 31st August 1985—was reduced as a consequence of the management expanding and diversifying its manufacturing operations. This may well become a reality with the company having received a letter of intent to set up a new Rs.8 crore storage battery factory in Fatehpur in Uttar Pradesh. The company's management has also completed a project study which could result in a diversification into the manufacture of battery related systems and power electronics. These projects, if and when they take shape, will not only widen the company's product mix but also reduce its tax liability significantly.

BUSY & UNWORRIED

Nevertheless in the immediate future, CIL's financial planning problems are likely to take a back seat as the company gears for the era of competition that is around the corner. And currently the company's marketers are a busy—even if an unworried—fraternity. Despite the fact that CIL's three brands — Exide, Dagenite and Index—taken together give the company a massive 63% share of the automotive original equipment market and a 28.8% share of the overall automotive batteries market, this fraternity is not resting on its laurels.

According to B.S. Chandiramani (52), director (marketing), a mechanical engineering graduate of Wolverhampton University who joined the company in 1965 and who took over this function on 1st January this year, the company's promotional efforts, hitherto largely reliant on its 1,800 strong dealer network (the largest in the industry), are to be stepped up. The campaigns will focus on the "many positive attributes" of the company's major product — automotive storage batteries.

"Apart from strengthening our dealer network, it looks as if we will have to be somewhat aggressive in marketing our products. Consequently our advertising budget has been increased from Rs.40 lakhs in 1984-85 to Rs.70 lakhs this year to enable us to project the message of the technological superiority, quality and reliability of our batteries. In fact we propose to organise a series of seminars this year so that we can have an ongoing dialogue with users of our industrial products which comprise the railways, telecommunications and the defence sectors among others and adapt our range of products to the specific requirements of major end users," says Chandiramani.

"Apart from strengthening our dealer network, it looks as if we will have to be somewhat aggressive in marketing our products. Consequently our advertising budget has been increased from Rs.40 lakhs in 1984-85 to Rs.70 lakhs this year to enable us to project the message of the technological superiority, quality and reliability of our batteries"

B.S. CHANDIRAMANI

Larger advertising and sales promotion budgets are necessary for two reasons, claim CIL's marketing men. Priced at around Rs.900, the company's major brand of automotive batteries — Exide — is 10% more expensive than competitive batteries. "But we promise at least a three year life cycle if the battery is maintained properly," says Chandiramani. "Given the fact that a car costs between Rs.80,000 and Rs.1 lakh, Rs.900 for a battery which will last for at least three years is not that exorbitant a sum to shell out. Today a single tyre and tube costs around Rs.1,000."

But because the company's automotive batteries are at the top end of the price spectrum (industrial batteries are usually custom built), ironically CIL's formidable competitors are not the well known brand names (Standard, Amco, Willard) manufactured by the organised sector but the half priced products manufactured for the replacement market by small-scale sector units comprising largely roadside mechanics who rebuild discarded batteries.

CUSTOMER EDUCATION

"In certain segments of the automotive batteries market in which we were the first in the field — the new range of new batteries for the Maruti, DCM-Toyota and the Standard-2000 for example, it will take a long time for rebuilders to catch up. But in the traditional sector i.e., automotive batteries for the Ambassador and Premier Padmini, the

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Chloride India managers, though not particularly worried about the competition, are not complacent either. But poor employee productivity at the company's Shamnagar plant (above) is causing managers, including manufacturing director S.B. Ganguli, (inset) some anxiety.

price factor does tend to swing the purchasing decision of customers who are not very quality conscious, in favour of the rebuilder. Consequently we are now making a deliberate attempt to educate the customer and reiterate that what we offer is state-of-the-art technology, quality, reliability and above all, after sales service. Not only have we ensured that there is an Exide dealer within a radius of every six miles in metropolitan cities, we have also tried to ensure as far as possible that all our dealers are equipped with adequate equipment and tools to service customer needs," says Chandiramani.

But if war has been declared in right earnest against the units in the rebuilding sector, strategies are also being chalked out to meet the imminent entry into the market of new organised sector brands which pose a much more dangerous threat to the country's largest manufacturer of automotive storage batteries. The ranks of the five leading organised sector storage battery manufacturers in the country who account for an existing installed capacity of 2.87 million batteries per annum (the unorganised sector accounts for another 8.6 lakh batteries per annum), are about to be augmented by formidable new entrants.

Of these, NICCO Batteries, promoted by the NICCO group and Globe Batteries of USA (the US collaborator will have 17% of the equity capital in the project), is likely to commence production at its factory in Uttar Pradesh in mid-1987. And not surprisingly either, with an eye on the latest technology, a number of existing manufacturers are flirting with new collaborators. For instance Willard India which had a tie-up with Electric Storage Batteries, USA, is believed to have switched its allegiance to a new collaborator — Japan Storage Batteries — while the Bombay-based Standard Batteries which for many years obtained its knowhow from Oldham Batteries, UK, is now reportedly negotiating a technical collaboration agreement with Furukawa of Japan.

CIL managers though not particularly worried about the emerging competition, are certainly not complacent either. And apart from the marketing department, one other department that is also preparing to meet competition head-on is the company's manufacturing department. The man in charge is S.B. Ganguli (44), director (manufacturing) who left Dunlop India where h was director (research and technical) t join CIL in April this year. Ganguli succeeds Bose who has since bee appointed managing director and hei apparent to Sengupta.

PRODUCTIVITY INCREASE

"We have decided that we will reduc overheads by 5% and increase productivity by 10% every year," says Gangul ambitiously. Ganguli is responsible fo overall coordination and supervision o the production of CIL's three factories — the over 40 year old mother plant at Shamnagar, Calcutta (production: 5.48 lakh batteries in 1984-85); the spanking new Rs.10 crore export oriented unit at Haldia, West Bengal (1.32 lakhs) and Chinchwad, Pune (2.56 lakhs).

And he is all set to make his mark within the company. "We are realigning our production systems so that all three factories are flexible enough to manufacture any of our range of products at short notice, should it be necessary to do so. At the same time, to ensure that we are fully geared to manufacture a new range of products in time and in response to changing market demand, we are working closely with the marketing and R&D cells. And in keeping with Chloride's track record of firsts and given the increasing demand for small, lightweight high-powered batteries, during the next two years we plan to introduce three new types of motorcar and truck batteries and five new types of automotive two-wheeler batteries encased in lightweight polypropylene containers. These containers act as a cocoon, completely sealing the battery against the entry of any foreign particles, water, etc. They will also contain certain sub-systems such as built-in state of charge indicators and flame arresting vent systems. In the industrial batteries division the production of a new generation of train lighting batteries and high capacity standby batteries are on the anvil," says Ganguli enthusiastically.

However, this accent on new product development has not in any way deterred the activities of the other arm of CIL's manufacturing cell — the constant striving for excellence in the existing range of products, claims Ganguli. Consequently, consumer complaints and feedback are monitored carefully to find out what went wrong and why. "Since 1st April this year, a high powered committee with representatives from the marketing, production and R&D divisions has been analysing every single customer complaint. But after that we do not sit pretty — we make sure that the appropriate department does take the necessary corrective action," he adds.

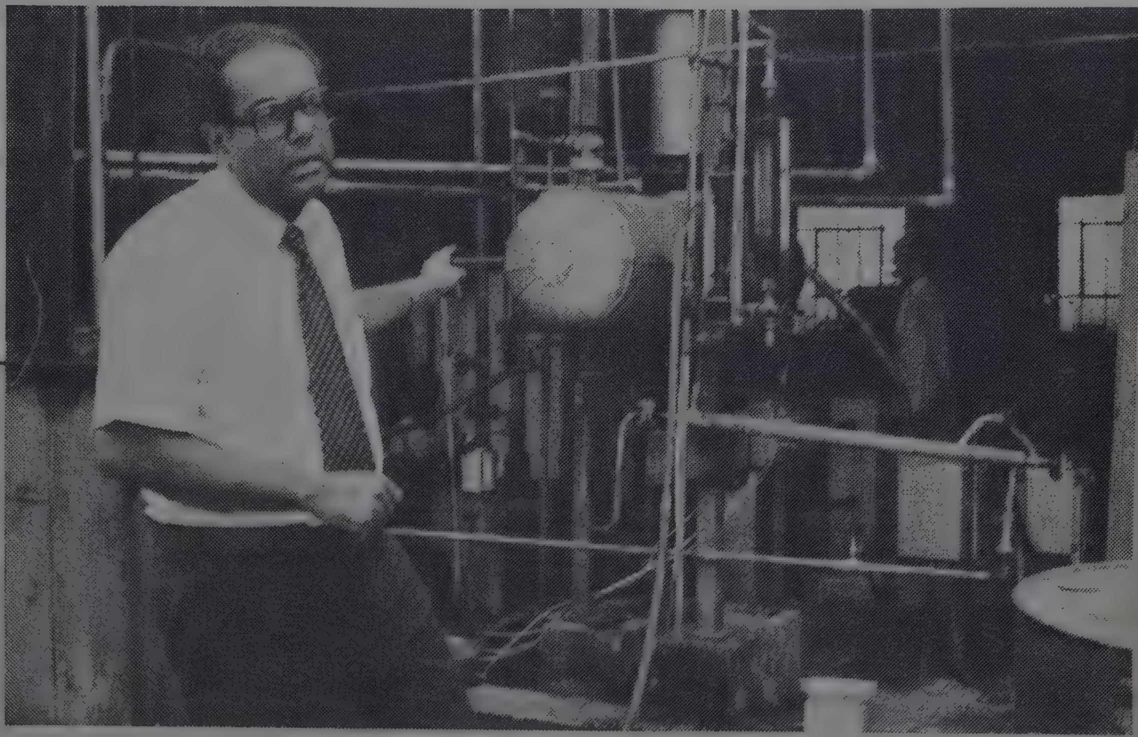
But even as CIL gears for the rush of competition which could sweep a number of organised sector storage battery manufacturing companies off their feet, one advantage the company has over its rivals is its solidly reliable research and development R&D centre situated in picturesque surroundings on the Nazrul Islam highway which links Calcutta airport to the city. CIL is one of those rare companies in which R&D is not merely a peripheral function but a core activity closely integrated with the business of the company. For this healthy interdependence that exists between the R&D, marketing and manufacturing functions in CIL, a great deal of credit is given within the company to Dr. A. Das Gupta (54), director (research and technical) and his enthusiastic team of 26 research scientists and 10 technicians.

HIGH ESTEEM

Over the past quinquennium since Das Gupta — a mechanical engineering graduate of Glasgow University who left Burmah Shell in 1977 and served as director (manufacturing) of CIL until 1981 — took charge of the company's R&D function, academic research has been converted to commercial applications that have saved the company lakhs of rupees. Consequently, CIL's R&D department is held in high esteem both within and without the company in sharp contrast to the condescension with which the R&D function is usually regarded in most indigenous corporate enterprises.

In 1981, the division developed a cheaper process for the manufacture of the Chloride Group's porvick microporous separator which separates the positive from the negative electrodes. A that time the British process for the manufacture of the separator had become too expensive, prompting the parent company to purchase the separator from another specialised manufacturer. But with CIL's R&D division having successfully developed a cheaper process to manufacture the separator, the company not only slashed its import bill by Rs.60 lakhs per annum, but currently earns Rs.40 lakhs annually by exporting separators to the parent company.

"Side by side with our attempts to discover newer cost-effective materials and processes, improve the geometry of our existing product range, and design and devise future generations of batteries, we have consciously kept our doors open for academic interaction and intellectual pursuits that may lead to discoveries which could revolutionise manufacturing processes within the industry. Our long list of futuristic projects includes, amongst others, the development of batteries for electric vehicles, high capacity storage batteries ranging between 1000 amps to 5000 amps for the power houses and the new generation telecommunication exchanges and solar powered batteries for rural electrification and irrigation pro-



> **"Side by side with our attempts to discover newer cost-effective materials and processes, improve the geometry of our existing product range, and design and devise future generations of batteries, we have consciously kept our doors open for academic interaction and intellectual pursuits that may lead to discoveries which could revolutionise manufacturing processes within the industry"**
>
> A. DAS GUPTA

How Chloride India compares

	Year ended	Net sales (Rs.crores)	Pre-tax profit/ net sales (%)	Return on investment (%)	Total liabilities/ net worth (%)
Larsen & Toubro	30.9.85	445.23	7.71	13.02	146
Crompton Greaves	30.6.85	199.35	0.89	9.47	188
General Electric	31.3.85	80.31	6.55	11.63	255
Chloride India	**31.8.85**	**79.19**	**18.36**	**26.51**	**107**
Standard Batteries	30.6.85	32.96	6.77	9.33	101

Source: The Stock Exchange Official Directory jects. At the same time, conscious of the company's responsibility as a corporate citizen, we have developed an in-house effluent treatment system which is cheaper than the processes available. Without sounding too immodest, I think we can legitimately claim a fair degree of success so far with most of our projects," says Das Gupta.

PERPETUAL FERMENT

In sharp contrast to the ebullience of the R&D department, the men who manage men — given the perpetual ferment on the industrial relations front — are a somewhat more subdued lot. P.K. Ghosh (54), director (personnel) of the company who has the unenviable task of coping with the sometimes legitimate and sometimes absurd demands of the company's 3,206 employees (as on 31st August 1985) spread out over three factories — Shamnagar (1,600), Pune (500), Haldia (350) — and 10 branch offices, though apparently unperturbed by the weight of his office does reveal evidence of a few worries on his forehead.

In 1984-85, the company's production was adversely affected by what the directors' report referred to as "disturbed industrial relations" at the Chinchwad (Pune) factory for over seven months. If despite this the company was able to record higher sales and profitability, it says quite a lot for the resourcefulness of the company's management. Somewhat surprisingly, it has been the Pune rather than the mother Shamnagar (Calcutta) factory which has been plagued by irrational labour militancy. In 1981 the factory suffered a four month closure because of employe unreasonable wage hike demands.

'With the management determined to introduce a productivity-linked scheme in lieu of "guaranteed overtime"... Shamnagar workers are on the warpath'

In contrast, though rumblings of d content do emanate periodically fr the company's Shamnagar mot plant, CIL has not lost any man-days its West Bengal units in the last decad However, with the management dete mined to introduce a productivity-lin ed earnings scheme in lieu of "guara teed overtime" given until recently workers to maintain sustained produ tion during the days of severe pow cuts, Shamnagar workers are on th warpath.

"The industrial unrest in our Pu unit in 1984-85 took place after the e piry of the three year agreement signe with the workmen in 1981 and was a attempt to twist the management's ar to obtain a favourable new agreemen And though we did concede to certai grievances that we considered fair an legitimate, we refused to be cowe down and give into what we perceive to be irrational and unrealistic de mands. By stepping up production i our two other units — Haldia an Shamnagar, supplemented by selective

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"... the process of liberalisation has to be gradual"

o the corporate community Jahar Sen-upta (60), the articulate high profile hairman and managing director of Chloride India Ltd. (CIL) needs no in-roduction. Former president of the Associated Chamber of Commerce, Cal-utta, Bengal Chamber of Commerce, lirector of the central board of the Re-erve Bank of India and on the board of t least half a dozen "interesting com-panies," Sengupta confesses a weakness or two things: a game of contract bridge nd 'adda' (discussion) with the right people. An accountant by training, Sen-gupta's association with Chloride India dates back to 1953 when he joined CIL as a works accountant at the Shamnagar actory. Since then he has served this highly profitable company in various capacities for 33 years — including those of chairman and chief executive.

Debjani Sinha interviewed him in his functional office in Exide House, Cal-cutta.

■ At a time when a number of companies are experiencing major upheavals n their attempts to appoint and hand ver charge to a new chief executive, the CIL experience has been very smooth and rderly. How was this achieved?
It is very true that the announcement of my successor has caused no upheaval in the organisation. One director moved to another company as its chief executive immediately after the announcement, but we filled that vacancy from within the company and this did not cause any upheaval either. The reason for this smooth transition is that the board of directors had been working on a succession plan for well over six years. The objective was to make sure that the appointee had all the attributes that we believed were necessary in an effective chief executive and that he was also generally accepted to be the best man for the job.

The final choice was preceded by telling each director individually that they were all good but obviously there was one person who was marginally more suitable than the others. We also asked each one if he were to choose a successor from among the directors, other than himself, whom would he choose? No one liked the question because each one was a contender. But the question was simple and through this process we have selected Mr.B.D. Bose who will take over as chief executive when I retire as executive chairman on 31st March next year.

Another factor which helped is the employees' total confidence in the objectivity of the top management.

■ Yet handing over charge of a company that one has served for many decades cannot be done easily. There is always a danger of continuing a degree of involvement that could border on interference. How do you propose to handle this delicate situation?
Your apprehension is legitimate. In my case I do not visualise a problem in this sphere since I have had a long innings and, without sounding too immodest, I can perhaps claim a fair amount of success in my professional career. Since the succession plan has been formulated within the organisation and I played a very important part in formulating it, I am naturally anxious to see that my successor is not only invested with sufficient power but is also perceived to be successful by others. Besides in the initial years the incumbent should have plenty to do in getting on with the job and leaving matters relating to external pressures to an elderly person who will be available for advice and guidance.

It is also important to point out that other than CIL I have so many other involvements — I am on the board of a number of companies and am involved with the activities of a number of government and semi-government bodies, educational and health organisations and the chambers of commerce. Thus I will not have the time to breathe down the neck of my successor. But having said that, it is also true that as long as I remain the chairman of the company, I cannot escape my responsibility to the various stakeholders of the company.

At the same time, I will have to see that the organisational morale is kept up and remain involved in senior level recruitment, formulation of business strategy and to oversee the implementation of the agreed policy. In carrying out my functions I do not envisage any sharp differences of opinion — but if it is unavoidable, the board's view will ultimately prevail.

■ Having steered CIL through many vicissitudes, how do you see the future of the company?
The company is in good health largely because it has a totally committed and enthusiastic management team. It has consistently maintained the quality of its excellent range of products. And through a continuous process of modernisation and substantial investment in its in-house R&D, CIL has managed to remain well ahead of its competitors. If this momentum of corporate activity is maintained, it should continue to do well.

■ As a manager and an individual who has been associated with numerous business associations, what is your reading of the future of the Indian economy?
I think during the last decade the Indian economy has emerged from being a rigidly regulatory system to a comparatively liberalised one. The marked acceleration of liberalisation particularly in the last 12 months, is very welcome as it will usher in an era of competition and automatically bring about efficiency which will benefit consumers.

I am convinced that the restrictive licensing and growth policies of the past made it easier for businesses to rake in large profits and total liberalisation in that sense would be like taking the "crutches" away — which could be dangerous in the short term. Therefore the process of liberalisation has to be gradual for industry to adapt itself to the changing environment.

On the whole I think the economy of the country has never been on a sounder footing than it is today.

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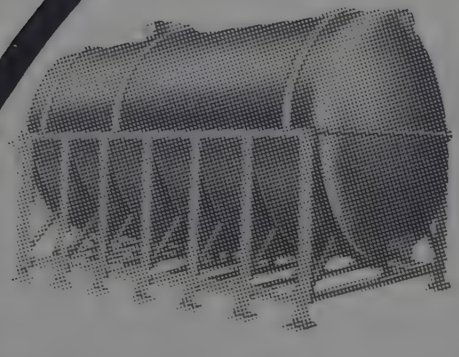

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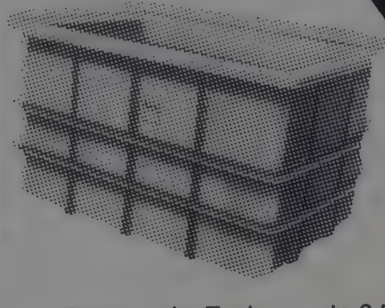

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atteries being manufactured at CIL's Shamnagar factory. Inset: Ghosh

tudy (Bose) industrial relations is likely o be a problem area that will require elicate handling. However, given Senupta's long association with the Shamagar factory — a circumstance which erhaps explains the somewhat indulent treatment that these workers exect and demand (Sengupta began his areer as a works accountant in Shamagar in 1953) — the general expectaion is that a truce will be struck soon.

Another weakness and one that wories CIL's senior management team is he company's dependence on a single roduct line. Though not a one-product ompany in the strictest sense of the erm, CIL's mainstay is its storage bateries business. However, the varying ses of the product has inevitably meant large product mix of different conigurations and geometrics, not to speak f varying shapes and sizes ranging from two inch minuscule battery to one that ould well fill a medium-sized room.

Nonetheless, Sengupta is sensitive to riticism that CIL has not diversified its nanufacturing operations, though he as an explanation. "At a time when we vere not allowed to grow organically, ubject as we were to the various proviions of the MRTP Act, we had looked at everal unrelated businesses such as peciality papers and fine chemicals vhich we believed were viable diversiication projects. But now that governnent policies have changed and we are llowed to grow organically, we have ot abandoned our diversification plans – though the contours of the plans ave changed somewhat. We are now ooking at power electronics and such llied businesses that are related to our exports — we are able to honour all our supply commitments. Thus when the workers saw we meant business they abandoned their leader (Datta Samant) and negotiated a reasonable agreement. But having said that, I must add that though the process of negotiations in Pune took a long time, once we agreed on the terms of the new agreement, the productivity this year has been high," says Ghosh.

In Shamnagar on the other hand, a curious situation prevails. Hamstrung, by persistent power shortages at a time when no back-up was available in production facilities the management had willingly paid overtime to keep the production lines moving. But with the gradual improvement in power supply and a comparative slackness in market demand, the management's attempt to rationalise average overtime earnings by linking it with a productivity index has not been very well received.

MILITANT LABOUR

"At the moment a tug-of-war of sorts is on," says Ghosh who has the unenviable task of conveying unpleasant management decisions to an inevitably militant labour force. "As things stand today, the production cost per (battery) plate in our Pune factory is one-third that of our Shamnagar factory. Hence in the interest of long term health — indeed the survival of this unit — it will be necessary to dramatically improve productivity. We have discussed this issue with the Shamnagar workforce and we are optimistic that they will see reason," says Ghosh.

Clearly for Sengupta and his under-

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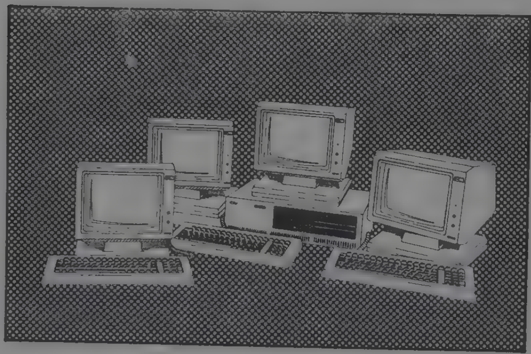

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ain lines of business.”
Adds Bose: “At the same time our
ttempts to manufacture a new genera-
on of high performance batteries con-
nues with the same degree of enthu-
asm. With our proven track record in
roduct innovation, a strong belief in a
orporate philosophy that insists on
naintaining the technological gap be-
ween us and our competitors, we will
trive to consolidate our position as the
narket leader in the next few years.”

SUBJECT OF SPECULATION

Yet whether the Sengupta-Bose sym-
iotic relationship will work out is a
ubject of much speculation in Calcut-
a's corporate circles. Sengupta's 15
ear innings as chief executive invari-
bly invokes the predictable response
– “one man show”, “centralised man-
gement systems,” etc. Accustomed as
e is to overseeing every meticulous de-
ail in an organisation which he has
erved in various capacities for 33 years,
vill Sengupta be able to withdraw from
he centre stage role in CIL and adapt to
he role of non-executive chairman or
vill his dominating personality stunt the
tyle and effectiveness of his hand pick-
d heir? The answers to these questions
vill be apparent enough in a few
nonths.

Frontage of Exide House, Calcutta: the challenge could be within

Bose however brushes aside such apprehensions. “The real challenge before us is to act as catalysts for change. And the real strength of the organisation will be determined by the speed with which it adapts itself to the changing environment and overcomes the challenges of change and competition in the near future,” he says. As we go to press, according to media reports (*Business Standard* 28th August), CIL's first major challenge could nonetheless come from within rather than from the marketplace.

According to this report, the UK-based Hawker Siddeley group with which B.M. Khaitan has a tenuous link through Oldham, UK, has put in a bid for Chloride Group's controlling shareholding in CIL. If the Hawker Siddeley bid succeeds, with Standard Batteries already in his fold Khaitan will be the uncrowned king of India's lead and storage battery industry.

Clearly what the future holds for the country's number one lead acid storage battery manufacturer is anybody's guess. But in the short term, with Sengupta in the saddle and the succession plan finalised, CIL seems all set to cash in on the automotive boom which is sweeping the nation.

Chloride's many suitors

Of the various bids to acquire the London-based Chloride Group plc's 51% equity shareholding in Chloride India Ltd. (CIL) that merchant bankers in the UK have been forwarding to the management of the British company for consideration, the one that is being heavily tipped to succeed is that of the British aviation and engineering company, Hawker Siddeley Group (sales: $2.06 billion or Rs.2,472 crores in 1985). According to the corporate grapevine, though bids have been put in by the Hindujas and the controversial NRI Swraj Paul, Hawker Siddeley is likely to emerge the winner because its strong research and development base is a special attraction for Chloride Group, a company that prides itself on its product development and innovation efforts.

Indian partner. But while Hawker Siddeley's bid may prevail, the company's management is reportedly not interested in supervising the operations of CIL closely. Therefore a search is on for an Indian partner who would acquire a nominal shareholding of 8%-10% and who would be responsible for closely supervising CIL operations, though the whiphand would be retained by Hawker Siddeley,UK.And if market rumours are to be believed, B.M. Khaitan, the Calcutta-based chairman of the Macneill & Magor group of companies as also of Standard Batteries which has had a technological collaboration with Oldham Batteries, UK, is likely to be Hawker Siddeley's Indian partner. Hawker Siddeley has an equity shareholding in Oldham Batteries. Therefore a tenuous link exists between the two.

But while Khaitan is more than interested in adding CIL to his burgeoning empire, he has declared that he will only proceed if the deal has the approval of the Reserve Bank of India — and hardly anyone can forecast how that discretionary power will be exercised.

Foreign sources

P.V. SATYANARAYANA

This article, the twelfth in the series of business information available in India, continues to focus on foreign sources. In the previous article (*BW* August 18—31, p. 60), an attempt was made to describe the various research reports on India appearing in foreign publications occasionally and with a certain periodicity. In this article, the emphasis is on the foreign trade and technical press which often publishes business information about India.

Most of the technical and economic periodicals which offer varying degrees of coverage on India originate in Britain and the US. Though the press in the other developed countries such as West Germany and France also covers India occasionally, such publications are not of much use to Indian businessmen due to the fact that they are in unfamiliar languages.

However, information on India which appears in features and articles in several overseas publications, especially the economic press, does not generally convey much additional information to Indian readers. Often, such publications tend to be speculative and arrive at drastic conclusions about a particular situation in India. Nevertheless they are useful to perceive how people in other countries see India and to learn about their opinions on the Indian economy.

BETTER COVERAGE

- *The Economist*, a weekly, and the *Financial Times*, a daily made conspicuous by its pink pages, are the two economic and financial publications published in London which provide relatively better coverage of India than any other overseas economic publications. Both are widely read in India. *The Economist* provides news and periodic analyses on the Indian political and economic scene. In the *Financial Times*, there is regular but limited news coverage of Indian business and industry. The *Financial Times* also publishes an occasional feature on India in the form of a pull-out which usually coincides with this country's Republic Day.

- The coverage of *The Asian Wall Street Journal*, a daily economic newspaper published from Hong Kong, is more oriented towards East Asian and South-east Asian economies such as Japan, South Korea, Indonesia, Singapore and Thailand. Despite boasting a full time correspondent based in New Delhi, the journal provides limited coverage on India considering the growing importance of this country to international business.

- The *Journal of Commerce*, a fortnightly economic newspaper published in the US is another useful publication. It reports on India frequently.

- Several other prestigious and well known overseas business and financial magazines have begun to feature India on its pages, in a sharp departure from past practice. The prestigious US business fortnightly *Fortune*, probably for the first time in its history, ran a cover story on India in January 1986. It is understood that another leading American period *Forbes*, has scheduled a similar cover story. A few years b *Euromoney*, a financial journal based in London ran extensive feature on India including interviews with lea industrialists of big business houses.

TECHNICAL JOURNALS

Compared to overseas periodicals devoted to ecoco affairs and the business environment, technical jour provide a better range of additional information on In Since there are numerous technical publications around world, and they cannot be discussed individually in this art due to space limitations, an attempt is made only to mak mention of some of the most useful publications.

- *Hydrocarbon Processing*, a journal published in Te USA, and covering the worldwide hydrocarbons industr one of the more useful publications for the Indian busine man and information analyst. Apart from its regular featu and technical articles, the journal publishes a quarte pull-out entitled 'Box Score.' This pull-out gives details chemical, petrochemical and petroleum-based industr projects taking shape all over the world. India is one of countries which receives prominent coverage.

- McGraw-Hill publishes a host of technical periodic which offer news items pertaining to Indian projects a business. One of their publications, *Green Markets*, newsletter on the fertiliser industry devotes considera space to India in view of this country's importance to fertilis manufacturers the world over. Other McGraw-Hill publi tions such as *Chemical Engineering, Engineering & Mini Journal (EMJ)* and *International Construction Week (IC* occasionally provide information on India.

> **'Most of the technical and economic periodicals which offer varying degrees of coverage on India originate in Britain and the US. Though the press in the other developed countries such as West Germany and France also covers India occasionally, such publications are not of much us to Indian business due to the fact that they are in unfamiliar languages'**

There are several other technical journals which cou prove useful to Indian businessmen. It has been observe earlier that a few specialist publishing firms publish a host technical journals. Among those which deserve speci mention are Benn Publications and Morgan Gramphian (UK Miller Freeman and Mclean Hunter (USA). These publishin firms bring out a chain of technical periodicals covering a ho of industry sectors.

USEFUL REPORTS

Another source of India-related information is the variou international banks. Institutions such as Standard Chartere Bank, Grindlays Bank and Union Bank of Switzerlan publish well-researched and useful economic reports on Indi from time to time.

While there are several overseas sources of contemporar information, Indian businessmen will have to learn to b selective in choosing them. Utilising overseas sources is a expensive proposition and too many sources can creat confusion.

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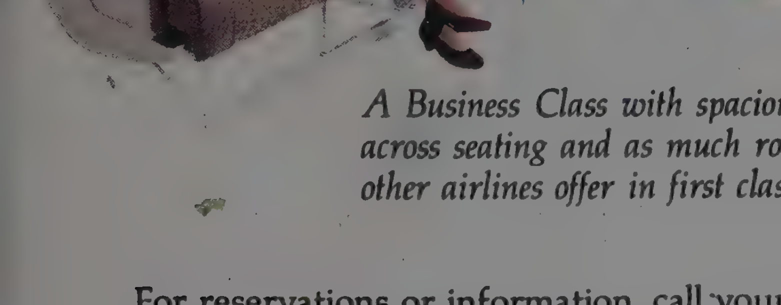

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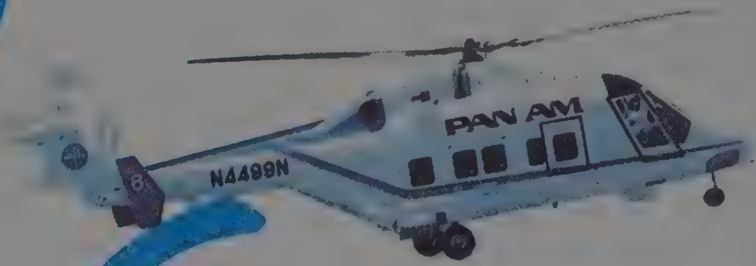

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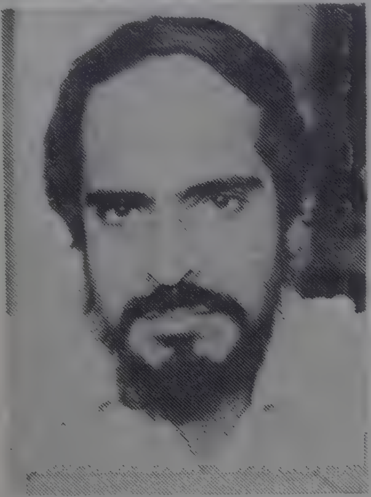
Systems-330

Pan Am. You Can't Beat The Experience.

BusinessWorld
September 15—28, 1986

SITE unseen

DARRYL D'MONTE



Remember SITE? Does it sound vaguely familiar? Wasn't it a television experiment conducted in India some time ago? Was it given up as a bad job, something that American hi-tech experts thought could be foisted on a poor, ignorant, illiterate and superstitious country but which foundered on the Indian social reality?

No one recalls what exactly happened to the Satellite Instructional Television Experiment. Sad to relate, it was half-buried a few months ago. Half-buried? Therein lies a communications story of the greatest significance.

SITE lasted, all too briefly, for a year as its American mentors had planned. Around a decade ago, it formally came to an end. But to reap the full benefit of this experiment, India's communications experts decided to continue with the 'teacher in the sky' — in a truncated sense, on a limited scale. From Ahmedabad, where the Indian Space Research Organisation (ISRO) has a major division, an educational service was specially beamed to a cluster of villages around the village of Pij, within the 'command area' of the Amul milk cooperative scheme.

Rural television programmes haven't exactly been crowned with success in this country, as a previous column on this page has emphasised. But Pij was different. Largely because the software was put into the hands of sensitive media professionals, rather than unimaginative bureaucrats, the programme was a runaway success.

I remember visiting Pij six years ago. Gujarat was just beginning to experience a taste of the communal violence which has now engulfed it completely. When we asked some 'high caste' villagers what they thought of the special programme, they snorted: "That? We don't watch it: it's meant only for Harijans!" Obviously, the message had reached home. For once — unlike with Doordarshan — the poor and the socially ostracised identified with the programme; they felt that someone was communicating with them, that someone cared.

CULTURAL HEGEMONY

A few months ago, someone in the Doordarshan bureaucracy — or perhaps part of the prime minister's secretariat, which keeps a watchful eye on his media projection — decided that the poor of Pij and surrounding villages had had enough of a good thing. The problem, as they saw it, was that Madras was smarting under the brunt of 'North Indian' soaps and news and feature programmes. As if *Buniyaad* and *Hum Log* weren't bad enough — a kind of cultural hegemony which projects North Indian culture as universally Indian — even current affairs discussions feature Delhi-based experts, as if Calcutta, Madras and Bombay are intellectually sub-normal.

The problem: not enough coverage of the 'south' (incidentally, the south itself is also culturally diverse and by no means as homogenous as Delhiwallahs think). The solution: give Madras a second channel and that will keep the 'Madrasis' happy. How to provide the hardware? Simple: disband the transmitter at Pij and transport it south. And that's why the engineers came and dismantled the station.

But somebody forgot about the beneficiaries of the programme. The villagers weren't prepared to take the closure lying down. After all, they had lived with their unseen friend i sky who spoke to, and performed for, them for several yea bond had been forged with the unseen presence, a be ghost. So they came to the site at Pij and beat up the engin As a result, the equipment has been lying for the past months crated but untouched — literally grounded. Madras is still awaiting its second channel.

ISRO specialists are keen to continue with the Pij program In the haste to extend the reach of Doordarshan — and basically means lathering the national service with so n 'soap' that suds will soon start frothing out of televi screens! — no one has spared a moment's thought about prospects of rural television. That phrase, incidentally, sou much better than 'educational' television, though in prac the best programmes should entertain as much as they educa

TECHNOLOGY IMPACT

SITE was launched with much fanfare with NASA assistanc years ago. It was supposed to examine what impact the m sophisticated technology could have in bridging the gap information and socially relevant messages. As Alexan Melzer of the Centre for Economic Research in Zurich po out in his monograph, *The Social Use of India's Televis Satellite,* there was certainly also a business interest for US fi — to see whether they could set up similar satellites in ot parts of the world.

Despite frequent mishaps — such as no one to turn on switch of the community set in the evenings, or the electric supply failing — the programme did get off the ground (pard the pun) and clusters of villages in six states were able to mar at some of the most imaginative space age applications world has known.

'The villagers weren't prepared to take the closur lying down. After all, they had lived with their unseen friend in the sky who spoke to, and performed for, them for several years; a bond had been forged with the unseen presence, a benign ghost. So they came to the site at Pij and beat up th engineers'

I had written a decade ago that it would have been better have vetoed the SITE proposal from the very start. In a count which has so many unemployed teachers, it would have be better to resort to a conventional means of education. As p Sanjay Gandhi's slogan, "Each one, teach one" — even info mal ways could be found of pressing someone who had had smattering of schooling to teach the three 'R's to children a adults in villages.

Today, I wouldn't be so sure. There is nothing inherent good or bad about technology: it all depends on the social u to which it is put. Thus I would argue that it is necessary conduct an experiment like the rural service to Pij fro Ahmedabad because it is the only way for media experts to fi out whether such 'communication' is possible.

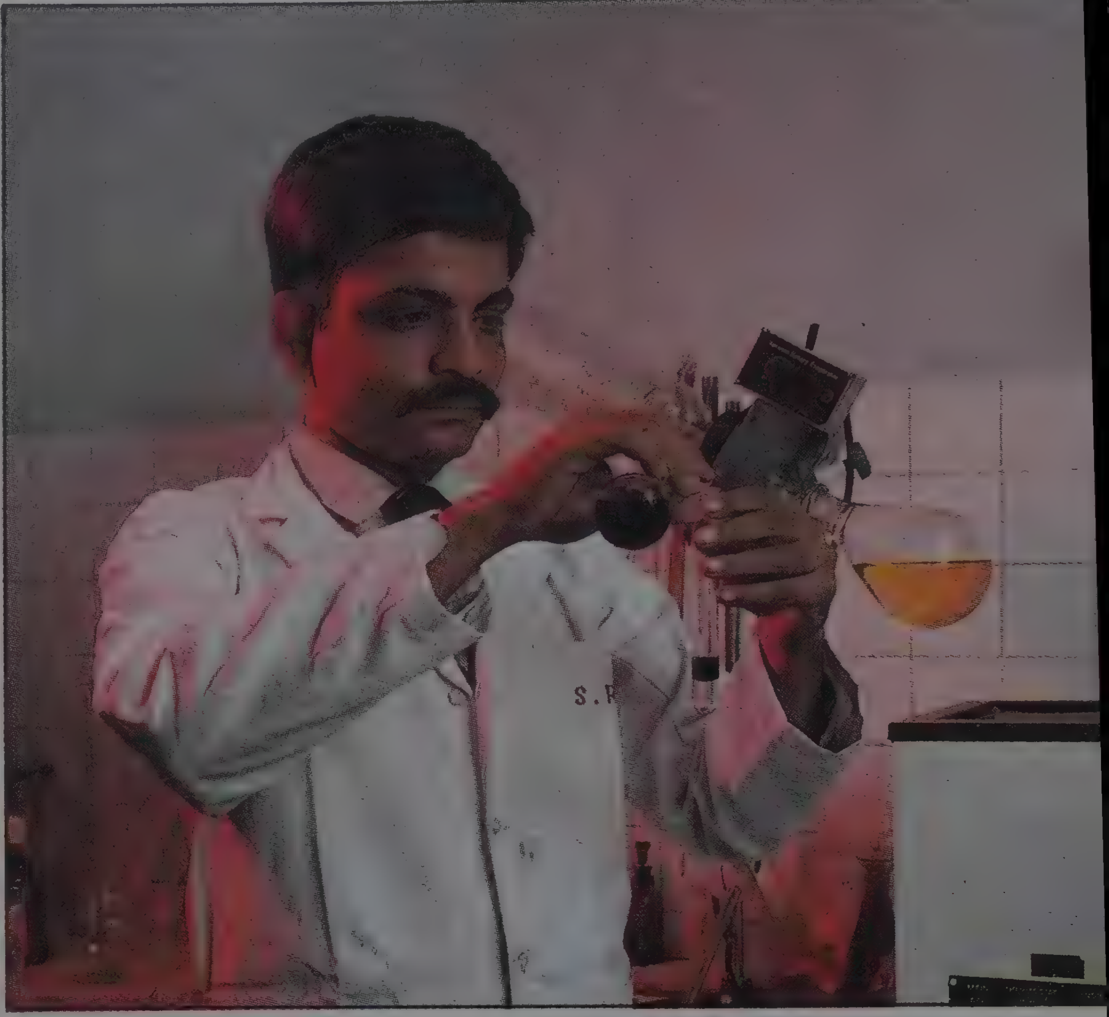
Perhaps the surest indication that these messages have go home, apart from the villagers' refusal to allow engineers to l the equipment, is that some folk artistes who have becon popular on the experimental station (development messag are communicated through popular performers) have be singled out for the wrath of high caste residents of the sam villages. Some months ago, a few of these performers we brutally murdered — they paid the tragic price for challengi the status quo.

SRF POISED FOR FURTHER GROWTH

Introducing new products an
the latest technologies to Indi

Shri Ram Fibres Ltd., the undisputed leader in the field of industrial nylons in the country, is now embarking on a major diversification and technology upgradation programme. This programme envisages the modernisation of current operations and diversification into new lines of business. It had at one stage doubled its production capacity through innovations alone, without resorting to any major investment. Now it's all set to touch international scales of operations with a production capacity of over 12,000 tonnes. The Company will now set forth with the latest technological advances into areas as diverse as outboard motors and refrigerant gases. It has already made its mark in the fields of industrial fabrics, automotive electricals and financing.

The Company's track record is an enviable one. Over the past 5 years alone, SRF has registered a phenomenal growth rate of 300% in sales. The turnover in 1985 stands at Rs. 74 crores, as against Rs. 25 crores in 1980. For its excellent performance, the Company was adjudged the Top Mini Corporate Giant by the illustrious Economic Times and Harvard Business School Association of India.



SRF's major focus was in the area of industrial nylons. The Company's nylon tyre cord plant was set up in 1973, at Manali, near Madras. This project was undertaken under technical collaboration with Chemtex of USA and Unitika of Japan.

The Company ventured into the fields of industrial yarn, nylon moulding powder and fishnet twine. These four major products of SRF bear the well-known brand names-Tufcord, Tufyarn, Tufnyl and Tuflon. Some of these are leaders in their individual markets.

To maintain its distinct edge in various fields, the Company is embarking on a massive technology upgradation and modernisation programme. This programme, estimated to cost Rs. 20 crores, will upgrade the existing technology and streamline the plant's operations. This, in turn, will lead to better quality products and increased productivity.

To this end, the latest 'Spindraw' technology is being introduced. In the first phase, production is expected to increase by 2000 tonnes. In the second phase, capacity will go up by another 2500 tonnes, touching a total of 12,000 tonnes per annum. The plant's operations will thus become far more cost-effective as the sheer economies of scale will succeed in reducing costs of production.

This programme will not only maintain the Company's leadership in the domestic market, but will also equip it to compete in the international arena.

SRF's R&D: Major breakthroughs on the anvil

Major emphasis is laid on the Company's in-house Research & Development Centre, which is equipped with the most modern facilities and a wealth of information.

The SRF scientists are engaged in some real frontline research efforts which is contemporary even to their western counterparts. The R&D Centre already has some major new products in the pipeline, which are expected to revolutionize some of the core industries of the nation.

Current operations are divided into three distinct areas—to develop new products, to discover new applications for existing products and to synthesize and develop critical raw materials which were previously being imported. In fact, some products have already been developed, which otherwise, the Company was importing at great expense.

SRF taps a high poten tial market: Industrial Fabrics

The management of SRF realised
far back as the 70's, that India's indus
growth had opened up an area of g
future potential—industrial fabrics.
entered the market with technical as
ance from Val Mehler of West Germany
acknowledged international leader in
field.

Today, SRF's Industrial Fabrics h
risen to a position of prominence in
area. SRF is now equipped to produc
vast array of industrial fabrics, with a m
plicity of end-uses. These include dip
fabrics, such as dipped tyre cord
chafer fabrics used for the reinforcemen
tyres.

It also makes belting ducks in he
duty conveyor belts and other major
ducts like filters, defence and lugg
fabrics.

"Multiple applications of our produ
ensure a large and diverse market for u
operate in". Stating this, the Unit's Gen
Manager further elaborated that the fab
are converted into a range of end-produ
like tarpaulins for storage, covers for tru

s and parachutes for the defence forces
g with material used for soft luggage.

"Most of these have been indigenously
eloped by our R&D Centre, saving on
ensive imports", he added.

RF Nippondenso: Tie-o with the world's o.1 in auto electricals

Shri Ram Fibres Ltd. has entered into
oint venture with Nippondenso Ltd. of
an, the world's largest manufacturer of
omotive electricals. The plant was set
in record time at Surajpur in U.P., 35
es from Delhi and has already com-
nced production.

Nippondenso, the Rs. 5500 crore Japa-
se collaborator, has impressive creden-
ls. It has 14 offices in 10 countries,
ploying 33,000 people and is the third
st profitable automobile corporation in
an, after Honda and Toyota. The corpo-
ion supplies automotive components to
jor manufacturers like Daimler Benz,
neral Motors and Toyota and terms itself
e 'world's best company with the world's
st products.'

The Japanese system of better produc-
ity through participative teamwork has
so been imbibed in the unit's working
lture. Nippondenso has also introduced
to the local operations, its principle of
0% quality check on all items. It may be
called that this earned them the coveted
eming Prize in Japan for adherence to
tal quality control. To quote the Chief
ecutive of the Surajpur plant, 'A new
eed of automotive electricals are being
anufactured for a new breed of
tomobiles'.

Company sources say that the pro-
ucts are distinctly superior to those cur-
ntly available. They will be compatible
ith most of the Japanese vehicles that are
oposed to be manufactured in India. Pro-
ucts like alternators with vacuum pump,
duction-type starting motors and multi-
eed wiper motors will be manufactured
India for the first time. In fact, the Com-
any is manufacturing components here,
hich have not even been introduced in
pan as yet. For instance, the alternators
r the new Maruti models will be available
ly in India.

The ancillaries are being supplied to
rincipal automobile manufacturers, like
CM Toyota and Maruti Suzuki.

SRF Nippondenso over-subscribed 25 times

Shri Ram Fibres enters the high-yield area of finance

Recently, attention has been drawn to a finance company which is faring well. The Company is Shri Ram Fibres Finance, promoted by Shri Ram Fibres Ltd. Although a fairly new entrant, it has till date disbursed over Rs. 3.50 crores, with another Rs. 2.50 crores still at its disposal. Within a few months of its operations, a gross profit of Rs. 20 lakhs has already been recorded.

SRFF issue oversubscribed five times

SRFF has not limited its sphere of operations to hire purchase and leasing alone. It has extended its expertise to other areas of finance.

These include acceptance house, guarantee facilities, bill discounting and venture capital, to name a few. The Company has also extended its skills into other channels of finance like recurring deposits and off-shore borrowings to mobilize funds in an innovative manner.

The Company has also finalised leasing tie-ups with dealers of Maruti Suzuki and Voltas Air-conditioners. Talks are on with other manufacturers of machinery and consumer durables like Bajaj and Kinetic Engineering.

In addition to other profitable areas, the Company expects business worth Rs. 15 crores from in-house resources alone. This would be done by financing DCM Computers and DCM Toyota LCV's, among other products of the Shriram Group.

Negotiations under way with global giants

SRF is negotiating with two internationally renowned corporate giants for its latest projects. The discussions are at an advanced stage of negotiations. A Company spokesman mentioned that Letters of Intent have already been obtained for the two proposed ventures.

The first of these two projects involves the manufacture of outboard motors to mechanize traditional fishing craft. The biggest beneficiaries of this Rs. 15 crore project will be the Indian fishing community.

With the installation of these outboard motors, the fisherman stands to increase his catch by as much as 300%, as the mechanized craft can penetrate deeper into the sea, even in the face of strong tides. The number of trips are also increased as the normal time taken by the fisherman in sailing back and forth from the shores is reduced drastically.

Current estimates state that there are about 2 lakh vessels in the country which would require these motors.

The second venture being negotiated between SRF and an international market leader is for the manufacture of refrigerant gases. A Rs. 20 crore plant is proposed to be set up in Rajasthan.

Refrigerant gases are used as a cooling medium in industries like Drugs & Pharmaceuticals, Chemicals and Electronics, to name a few. Appliances like refrigerators, domestic air-conditioners, water coolers and deep freezers also require them.

Presently there is no manufacturer of refrigerant gases in Northern India, which is a major market for refrigeration and air-conditioning equipment. SRF, therefore, will have a significant logistical advantage in this area.

'Participation Circles'— A successful innovation at SRF

At SRF, two qualities are constantly stressed, in every area of the Company's operations—creativity and innovation.

Take, for instance, SRF's creative use of its human resources. The Company has set up Employee Participation Circles (EPC) at every level. Each EPC is a small group of people, who meet voluntarily and on a regular basis, for about an hour every week or fortnight. The basic objectives of these meetings are to identify problems in their work area, analyse causes, devise solutions and wherever possible, implement the solutions themselves.

This supports Peter Drucker's Y Theory of Management —give an employee a sense of worth and responsibility and he/she will rise to every challenge.

And most important, it gives each employee a sense of deep participation in the Company's functioning and a commitment to its future.

Lala Shri Ram—The vision continues

Today, SRF's track record is the logical extension of the vision and business principles of Lala Shri Ram, the illustrious founder of the Shriram group.

The origins of this industrial group go back to 1889, when India's first textile mill—the Delhi Cloth and General Mills Co. Ltd. was set up.

Under Lala Shri Ram's stewardship, the Shriram group expanded into heavy chemicals, fertilisers, sugar, engineering, vanaspati and polyvinyl chloride, amongst others.

Like Lala Shri Ram, SRF believes that a corporation's duty is to grow and embark often—and successfully—into diversified industrial areas.

As Lala Shri Ram did years ago, SRF has succeeded because it always believed that its primary resources are not "... composed of land or building, nor even of the capital invested or patents owned but of the calibre of its people."

Today, the values held sacred by Lala Shri Ram find expression in the corporate values and beliefs of SRF, which are:

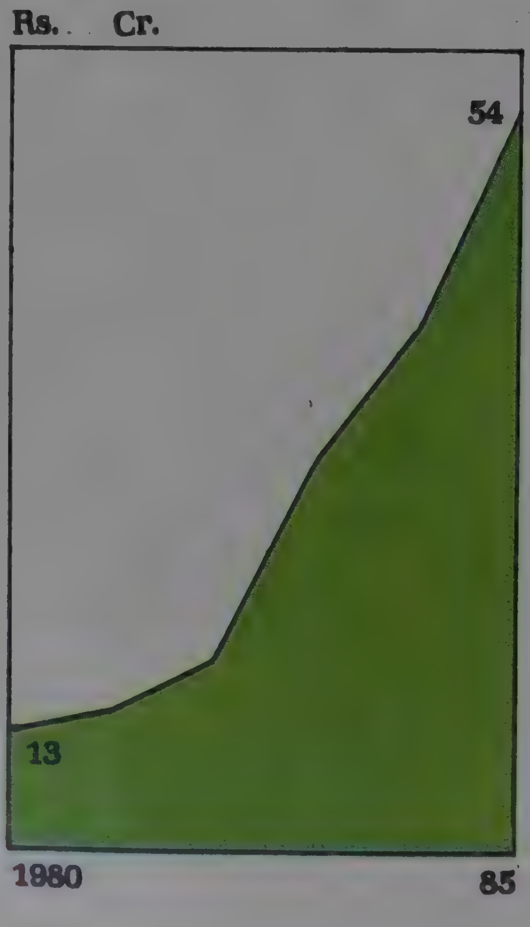
1. Growth through excellence.
2. SRF is its people.
3. Customer satisfaction.
4. Fostering creativity and innovations.
5. High standards of ethics.
6. Contributing to the development of the society.

Shareholders—
Look forward to a share in the further growth of SRF.

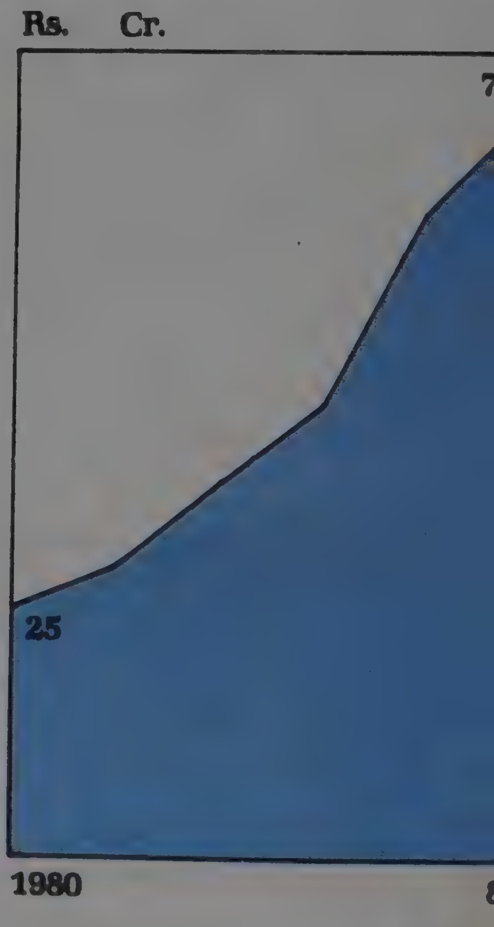
Dr. Bharat Ram, Chairman, Shri Ram Fibres

"The status Shri Ram Fibres today enjoys is t
result of the drive and commitment shown b
the employees, the efforts of a young, dynam
and motivated team. At this point of time, whe
the Company is firmly on its feet and on the
threshold of exciting growth and diversificatio
it is appropriate to look back and thank all
those who made this possible."

Rise in gross block by 400%



Sales shoot up by 300%



ULKA-D-SRF-51

Vindsurfers in formation off Bombay: impatient sails

Windsurfing highs

The somewhat esoteric and up-market water sport, windsurfing, is rapidly gaining adherents and opularity in India particularly in the ountry's coastal cities. In Bombay, uring the first half of the current year, here has been a surfeit of windsurfing ompetitions including the National)pen Windglider Championship, the ombay Open Windsurfing Chamionship and the Palm Grove-Old Spice Vindsurfing Regatta. Now with the ionsoon over, a larger number of vindsurfing enthusiasts are expected to ot the horizon, skimming along the vater or waiting for an obliging wind to alloon impatient sails.

And if the large number of appreciave spectators who turned up to watch ombay's small but growing community f windsurfers do their thing last sumner is any indication, the sport has aptured the imagination of not a few in ombay, if not elsewhere.

This is confirmed by Hakim Savir 31), secretary of the Bombay-based ndian Windgliders Association which ischarges its administrative functions rom the offices of the Colaba Sailing Club. The association was registered ust after the ninth Asian games in 1982 vhen the National Institute of Sports cquired two surf boards in the windlider category. These were then made vailable to members of the Colaba ailing Club. Today the association oasts over 50 active members and avir foresees a spurt in the number this vinter as more enthusiasts sign up.

As yet the association is not in a osition to provide training facilities nd most of the members are students (who get a concession on the membership fee) who are very much 'into' competitive windsurfing. But other amateurs are also taking to this sport. Says Savir: "Age is no bar for this sport. All that is needed is a basic knowledge of swimming and overall physical fitness. Moreover, it is a very safe sport."

"It is almost too safe," quips Romiel Samuel (19), who runs a small-scale factory in Bombay manufacturing rubber linings and employing over a hundred people. An enthusiastic hang glider pilot who has also dabbled in water skiing and para sailing, Samuel's latest enthusiasm is windsurfing into which he was initiated about a year ago.

SHEER EXHILARATION

"It feels good to go out into the open sea, feel the wind and spray all over you. And of course for quite some time in the beginning you have the experience of being shipwrecked very often," says Samuel, adding that it's more fun to learn in a group for "that way you can see that you're not the only clumsy one." Samuel admits that the present charges at the Palm Grove Club of which he is a member are rather high. However, he feels that the expense (see box) is well worth the sheer exhilaration and physical fitness that is the benefit of windsurfing regularly.

Malcolm Coelho (25), director of the Bombay-based Palm Grove Hotel and the moving force behind the newly formed Palm Grove Windsurfer's Club justifies the high expenditure. "We offer the members of our club free use of the hotel swimming pool. Since the membership fee for the swimming pool itself is Rs. 1,000 per year, that is the absolute minimum that we can charge our windsurfer members. Moreover, our equipment is all imported. And we have to provide for repairs and replacements, especially for masts which break often, particularly with beginners. So we cannot afford not to ask for a security deposit. However, we are now lowering the amount from Rs. 1,500 currently to Rs. 500. And we're the only club which offers formal training facilites," says Coelho.

Nevertheless, windgliding and windsurfing are expensive sports. The Rs. 2,000 per annum usually required as entry fees and deposit in addition to equipment hire charges of Rs. 40 per hour can add up to a tidy sum which is likely to discourage all but the very enthusiastic tax-deducted-at-source salaried executive. This is perhaps one explanation why the membership profile of the newly formed Palm Grove Windsurfers' Club (which has over 25 members) consists in the main of young self-employed businessmen.

Deepak Mahajan (29), who runs a

Fitting out: expensive sport

jewellery business dealing in exclusive jewellery using precious and semi-precious stones, signed up as a member almost as soon as the Palm Grove Club was formed. "So far I've spent more time in the water than on the surfboard. But I'm totally sold on this sport. I just can't wait for the monsoons to abate so I can start windsurfing again," he says.

Mahajan, also a respected individual in Bombay's high risk hang gliding circles, adds: "I see a lot of similarity between windsurfing and hang gliding. In both these sports, controlled body movements assisted by a simple man-made machine enables one to harness the natural energy that is in the wind or the sea. Both these sports provide an exhilarating experience which is difficult to describe."

WELCOME RESPITE

For Kunal Gwalani (21), who owns a manufacturing unit making car accessories, windsurfing offers a welcom respite from the tensions of maintainin quality control and marketing. "It is good feeling to be totally alone on th sea with nothing to disturb your solitud except the rhythmic sound and motio of the waves. It brings one closer t nature," he says.

Gwalani began windsurfing a yea ago and recalls his most fascinatin experience as an encounter with som citizens of the deep a few month thereafter. "I came across a school o dolphins sporting in th distance. At first, I thought they wer sharks but when I came back to th shore and told some others about it, got to know that what I had seen wer dolphins which are very friendly sea mammals. Now I keep an eye open fo them—and it never fails to thrill me when I spot them," adds Gwalani.

Whether it's adventure, an affinity for the sea—man's last unexplored frontier—or just plain fun, windsurfing seems to offer it all. With a growing number of citizens taking to this sport the costs of participation should decrease considerably, making this healthy pastime accessible to a far larger number of people. The growing number of competitions too are helping to create an awareness and interest in this hitherto esoteric sport.

Indeed it seems only a matter of time before this newly awakened interest in windsurfing kindles a greater interest in water sports in general in a nation which is generally unmindful of its generous and beautiful coastline.

Rama Balasubramaniam

Riding the rhythms of the sea: harnessing a natural energy. Inset Coelho

Bombay's windsurfing facilities

Not a few windsurfing enthusiasts have discovered to their cost that purchasing a surfboard is a fairly expensive proposition. A complete surfboard and sail costs about Rs. 4,000 abroad. However, with an *ad valorem* import duty of almost 190% levied by the Union government on non-socialistic paraphernalia, the final price works out to a chastening Rs. 12,000. Not surprisingly, foreigners visiting India often flog their second-hand surfboards for prices ranging from Rs. 6,000 upwards.

However, for a beginner the best bet is to join a club which offers facilities and equipment for windsurfing at far lower prices. In Bombay, apart from the Naval Sailing Club (which is open only to officers of the armed forces) the undermentioned clubs offer windsurfing facilities and equipment.

Colaba Sailing Club

Annual membership fee	Rs. 300
Life membership	Rs. 2,000

No fee is charged at present for surfboards. A member is entitled to participate in the other activities of the club such as sailing, yachting, etc. The club also owns two surfboards in the windglider class.

Palm Grove Windsurfing Club

Membership fee	
Single	Rs. 1,000
Couple	Rs. 1,500
Interest-free security deposit	
Single	Rs. 500
Couple	Rs. 1,000
Training fees (per member)	
10 hours	Rs. 500
5 hours	Rs. 300
Hire charges	
Members	Rs.40 per hour
Hotel guests	Rs. 50 per hour
For surfboard owners	
Membership (no security deposit)	Rs. 1,000
Housing charges	Rs. 500 per year

All members are entitled to free membership of the hotel's swimming pool. Members can also join the health club at a concessional tariff. The club currently owns four fully equipped windsurfing boards and a motor boat.

Seizing the time

WALTER E. VIEIRA

Marketing professionals have always been highly aware that there is a prime season for most products and services. Therefore, hotels advertise before the summer holidays; mangoes are advertised during the mango season; winter clothing is advertised just before winter sets in and umbrellas, raincoats and rain shoes before the monsoon breaks in all its fury. Consequently, there are troughs and crests in most companies' advertising outlay graphs, which vary in congruence with sales graphs depending on the product, the season and the characteristics of particular markets.

However, there is another genre of seasonal marketing which can be termed a 'non-recurring opportunity' situation where a unique selling opportunity presents itself only once. If there is a recurrence of marketing opportunity it does not follow any regular, cyclic pattern. A growing number of marketing professionals are becoming more alert to big-kill marketing opportunities which present themselves but rarely. In the past, it was the small businessman, the person with the entrepreneurial instinct who catered to these needs, generally in a narrow geographical area. Now organised sector companies are learning to react fast, and if possible, to be 'proactive' so that they can rake in profits, while at the same time satisfy genuine customer needs and win his goodwill.

GENERAL AWARENESS

The increasing frequency of bank hold-ups and robberies has prompted Test Equipment (Elec) Pvt. Ltd., Bombay, to advertise Insta-Alarm, an anti-robbery burglar alarm. Almost overnight the company's advertisements have begun to appear regularly—and a general awareness of the product is being created even as fear rises in this suddenly changed environment.

Likewise, insurance companies have also stepped up their burglary insurance advertisements on outdoor hoardings—equally appropriate at this time against the background of increasing house robberies and the severe criticism to which the Bombay police force is being subjected.

The ebb and flow of advertising sugar cubes—Daurala and Lotus for example—is dependent on the market price of granular sugar. When granular sugar prices are low, sugar cubes are not advertised at all. When sugar prices rule high, an advertising campaign singing the virtues of sugar cubes—high purity, combined with economy—is almost invariably released. At the moment, sugar prices are subdued and consequently sugar cube advertising in the general media seems to be very low key.

The increased price of oil and petrol has prompted the manufacturers of the Engaard motorcar fuel energiser to step up their advertising campaign. Although Engaard is not exactly cheap, its manufacturers have taken advantage of the recent hike in the prices of petroleum products to sell the story that the product helps to improve engine efficiency, and reduces fuel consumption and that better fuel economies justify the outlay for the purchase of Engaard. They have even taken care to emphasise that Engaard needs to be used only once a year! Another case of effective and quick opportunity marketing.

The worsening power situation in various states has created business opportunities for the manufacturers of many related products. States such as Bihar, West Bengal, Karnataka and Andhra among others (notwithstanding all the assurances to industrialists that the power situation is comfortable and will remain so; that the supply is even, without tripping or power fluctuations) are big potential markets. And not a few alert marketers have seized this opportunity to heavily advertise gensets of all sizes (for the home and for industry); to market voltage stabilisers of different capacities (for air-conditioners, refrigerators and television sets); to advertise emergency shop lanterns which have now become a 'must' in every shop however small in chronically power deficient areas. When the power position improves with the induction into office of an efficient minister who will be able to market the concept of efficiency to our currently 40% efficiency operating power plant employees, perhaps all these gadgets will not be required. But till then the 'quick opportunity' market will exist, in fact, grow—and so will the advertising and promotion!

INTENSIVE PROMOTION

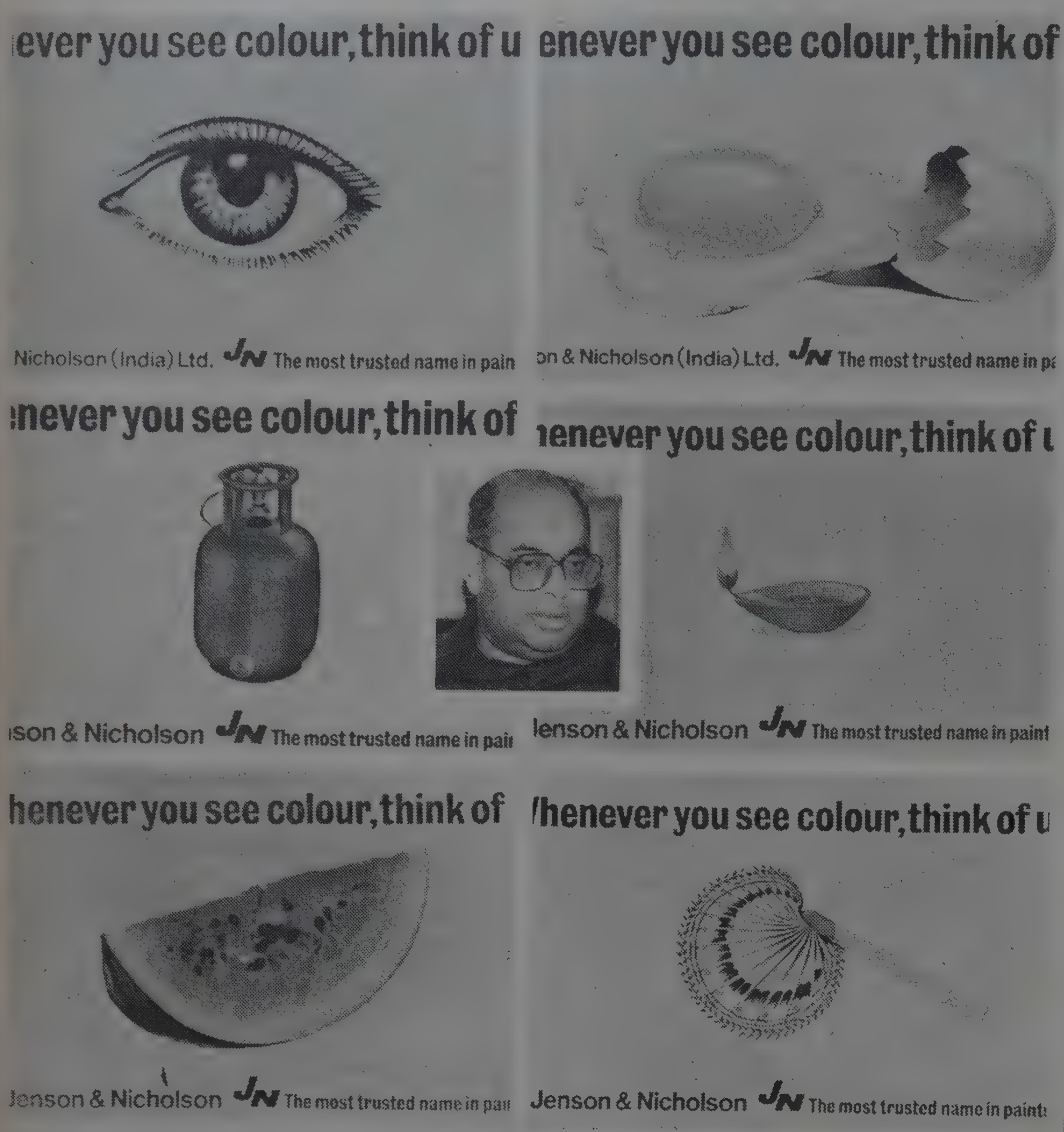
Until very recently parts of Andhra and Karnataka were experiencing a water famine. Worse, there is a scare of an even greater water famine in the coming months if the monsoon gods do not smile for the third year in succession. This has provided an opportunity for borewell drillers to do some intensive promotion in the marketplace. Drilling operations are being conducted in every street in Hyderabad. Of course, with every well dug, the water table falls further until perhaps none of the 10 wells on the same road are useful. But the drilling has been done and paid for. And when this has not provided the solution, advertisements appear for the supply of water by tankers—at Rs. 300 a tanker or whatever the traffic will bear. Yet another example of a quick response to an emerging opportunity.

> **'There is another genre of seasonal marketing which can be termed a 'non-recurring opportunity' situation where a unique selling opportunity presents itself only once. If there is a recurrence of marketing opportunity it does not follow any regular, cyclic pattern.**

The increasingly crowded classrooms in schools in Bombay and many other metropolitan cities have made teachers throw up their hands in despair. A class of 50-60 has become the norm—and it is a rarity for a teacher to remember the name of every student in a class even by the end of the year. But even as teacher-student communications are breaking down and teaching is becoming less effective, this social phenomenon has created a business opportunity for promoters of coaching classes such as Brilliant, Agrawal and a host of others.

These examples clearly illustrate that it's an ill wind that blows nobody good. Identifying business opportunities as quickly as they arise and marketing them effectively is the hallmark of the true marketing professional who can think on his feet. True, there is of course, the other dilemma. How much should you advertise during the no-opportunity season? Not at all, very little, or a fair amount—to retain the product in the public memory? A difficult question to which each marketing professional must find his own answer.

BusinessWorld
September 15—28, 1986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INDIA'S NEW INDUSTRIALISTS-I

Bihar's ray of hope

By SUJOY GUPTA

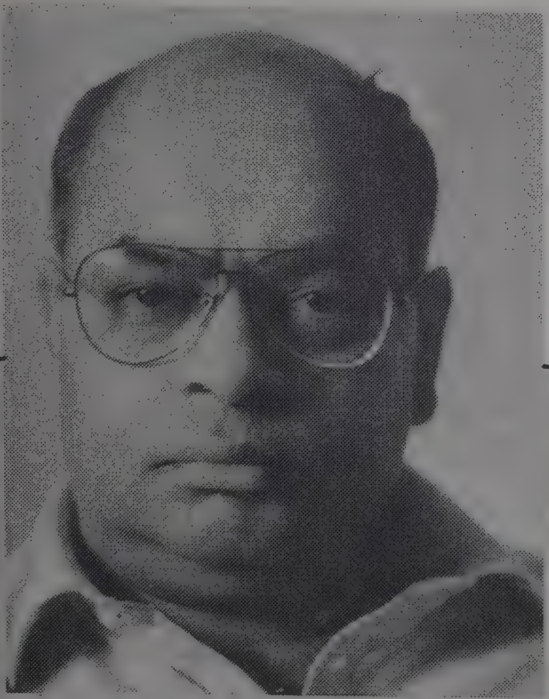
In backward and chaotically administered Bihar, in which the machinations of the state's uniquely inefficient and corrupt politicians have prevented the growth of large-scale industry, there is one exception. The Patna-based Sinha group of companies is all set to break through the psychological Rs.100 crores per year sales barrier.

The eastern state of Bihar, whic with its 70 million populace i arguably one of the mos backward provinces of the republic o India, rarely, if ever, earns a mention i the national business press. Misgoverne and mismanaged by a bunch of rabble rousing politicians who have signall failed to distinguish themselves with an achievements worth the name, it i hardly surprising that when Bihar doe make it to the front pages it is for th wrong reasons: natural calamities, man-made mishaps, sordid politicking, communal flare-ups, civil rights violations and the like.

Against this grim and negative backdrop, it is certainly worth raising a cheer for Bihar's only homespun and native industrial house — the Patna-headquartered Sinha group of companies headed by its youthful, London School of Economics educated patriarch, Satyadeva Prakash Sinha (45) — which is set to break the psychological barrier of Rs. 100 crores in turnover and duly 'arrive' in the big league. For even as Sinha tots up the accounts of his several companies which closed their books on 30th June 1986, it is now virtually a certainty that although an aggregate turnover of Rs. 92.3 crores has been clocked for 1985-86, the group will indeed hoist the century-maker's flag for the first time before this calendar year is over.

Not that any of the companies in Sinha's stable are dazzling money-spinners or market leaders: the largest one, the high profile Calcutta-headquartered paint manufacturer Jenson & Nicholson (India) Ltd. (J&N), trots home at a game fourth place in the paint industry league. Yet, the Sinha group's coming of age, marked by breaking the Rs. 100 crores barrier — the first and only Bihar-based business house to achieve this distinction, there being none other in the running — is by no means a fluke. As recently as 1975, the group's aggregate turnover was a humble Rs. 17.90 crores on assets aggregating Rs. 11.30 crores. In just 10 years, assets have trebled while sales have multiplied over five times.

Obviously, the Sinha group has been growing at a gallop rather than a canter. And to his greater credit, Sinha has not pulled up his native roots, having resolutely desisted from moving the home base away from Patna to one of the metropolitan capitals. As is well known, despite the steel city of Jamshedpur being located within its borders, Bihar is one of the least conducive-to-business states in the Indian union. Although it is the second most populous of the country's 22 states, it ranks a lowly eighth in terms of net domestic product



In 1966 Sinha's sole inheritance was a three decade old cement plant near Patna which generated sales aggregating Rs.5 crores per annum.

while gross output in the factory sector is only 6.1% of the national total, according to the Statistical Outline of India (1986-87) recently published by Tata Services Ltd. That Bihar is scraping the bottom of the productivity barrel is self-evident from the fact that it is ranked a miserable tenth amongst the states in per capita factory output per annum (Rs. 634). Even neighbouring West Bengal — all too well known for its lack of industrial productivity — scores a neat double of Bihar's output at Rs. 1,231.

It is hardly surprising, therefore, that the sloth-ridden provincial ambience of Bihar has spawned nary a business house which merits mention. A few former zamindars turned industrialists are the only exceptions. Thus the second largest industrial group in Bihar is the Hathwa group (estimated annual sales: Rs. 10 crores) while the third is the Dumraon group (Rs. 5 crores). The so-called Nalanda group of companies headed by R.K.P.N. Singh, president of the Bihar Chamber of Commerce, trails behind with an aggregate annual sales turnover of around Rs. 3 crores. And that's about it — as far as sons-of-the-soil industrialists go.

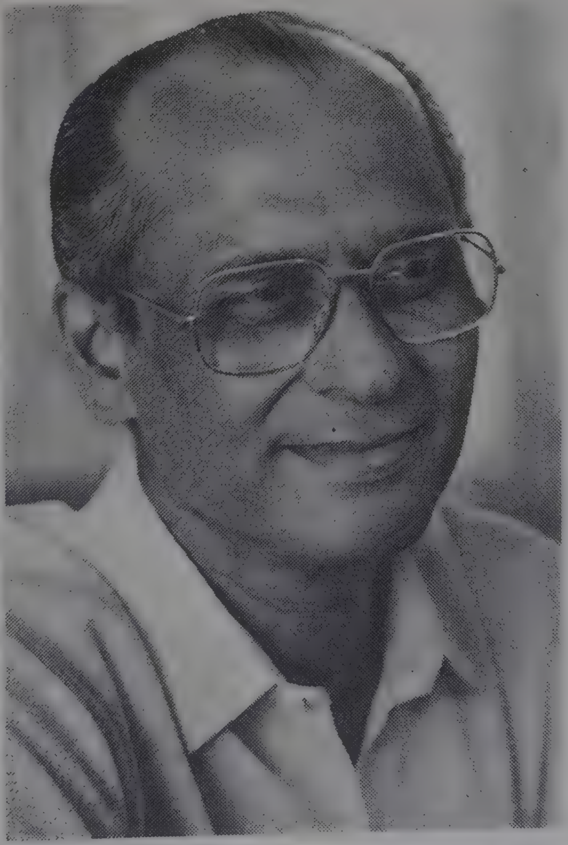
But if Sinha has successfully forged leagues ahead of his confreres, full marks are due to him for yet another reason. Sinha did not inherit any business 'empire' as such when he was prematurely called upon to head the family enterprise 20 years ago upon the sudden death of his father in a tragic drowning accident. A few years before, the family had lost its prosperous Burmese plantations and sugar mill (see box p.69). In 1966, the 25 year old Sinha's sole inheritance was a three decade old cement plant near Patna which generated sales aggregating Rs. 5 crores per annum. The subsequent 20-fold multiplication has been almost entirely Sinha's own doing. "For all practical purposes, I had to start from scratch all over again," he recalls.

DIVERSIFICATION OPPORTUNITIES

"When I took charge of the family business in 1966, our only operating company was the Kalyanpur Lime & Cement Works Ltd. (KLCW). I realised soon enough that in order to survive we would have to diversify. I began looking for diversification opportunities, basically in areas relatively free of governmental control," says Sinha. Thus in 1967, he launched Holtec Engineers Pvt. Ltd., as a specialised consulting engineering company for the cement industry — the only one of its kind in India, according to him.

Adds Sinha: "Till today Holtec is the only specialised cement consultant without any tie-ups with machinery manufacturers. It is thus totally independent and thereby best positioned to give impartial advice and guidance in the establishment of cement factories and quarries." For good measure, Holtec was launched as a joint venture with the Holderbank group of Switzerland, one of the largest producers of cement in the world.

Basak: unenviable image



But the ambitious Sinha knew that by sticking to the knitting he would only be able to go thus far and no further. There was a clear imperative to look beyond the boundaries of the cement industry. "By 1970-71, I had begun the spadework for two new projects: the first related to the manufacture of electronic weighfeeders and the second, a hotels project. I personally got interested in trying to work out a collaboration with the world famous West German company Carl Schenck for the manufacture of electronic weighfeeders. In 1971, we launched the hotel project in Patna," recalls Sinha. He felt his way through these two projects rather cautiously though, and the weighfeeder factory at Ranchi did not get going till 1980. The 80-room Hotel Maurya was commissioned in 1977 and has been part of ITC's Welcomgroup chain since 1979.

And it was during the same period — *viz.* the early seventies — that Sinha took what is still probably his biggest business gamble. Literally for a song ("I bought it for less than Rs. 5 lakhs") he acquired 65% of the equity of the then British-owned paint company Jenson & Nicholson (India) Ltd. J&N was in dire straits with its paid-up equity capital of Rs. 40 lakhs wiped clean by accumulated losses. The British principals saw no future in their Indian investment and indeed, were in a hurry to get away. Old-timers in the Calcutta corporate circuit recall that by 1973 — when Sinha took over control — J&N had already lost its reputation for good management and was fast losing its market share in paints as well.

UNCERTAIN FUTURE

"J&N's heyday was during the fifties. Even up to the mid-sixties, J&N was the market leader in the Indian paints industry," says S.K. Basak (63), who joined J&N at the bottom rung as junior sales representative way back in 1949 and finally retired as a wholetime director in 1983. After superannuation, Basak continues to be associated with the company as a non-executive director. Recalls Basak: "The year 1966 was the starting point of a period of decline for J&N. Between 1966 and 1970 the company recorded continuous losses and its very future was uncertain. When the company changed hands in 1973, its image was certainly unenviable; its growth rate was one of the poorest in the industry; preference share dividends were in huge arrears; equity dividends were a forgotten phenomenon and our competitors had practically written off J&N as an insignificant presence in the market."

Major companies in the Sinha group *(as on 30th June 1986)*

	Business	**Sales (in Rs. crores)**
Jenson & Nicholson (India) Ltd.	Paints Electronic weighfeeders Hotels	50
Kalyanpur Lime & Cement Works Ltd.	Cement	34.6
Hitek Industries (Bihar) Ltd.	Cold roll steel processing	3
Holtec Engineers Pvt. Ltd.	Cement consultants	1.2
Sone Valley Portland Cement Co. Ltd.	Cement	Nil
Others	Trading/exports	3.5
		92.3

Source: Group chairman's secretariat

Adds Sinha: "I still remember the evening in mid-1973 when I was advised by my friends that reviving J&N would be a most difficult proposition. It would take years, they said, before it could earn a profit. They were sure I was mistaken in having acquired the company." Management consultants predicted that a minimum of five years of bitter struggle would bring J&N back into the black. As if on cue, the company posted a cash loss of Rs. 30 lakhs in its first six months under Sinha's management. It looked as if Sinha was about to lose out on his gamble. "We were nevertheless willing and able to pump in Rs. 75 lakhs immediately and within a year the company made a profit of Rs. 14.6 lakhs. Mind you, there was virtually no change in the management team except that the Britishers had gone," says Sinha.

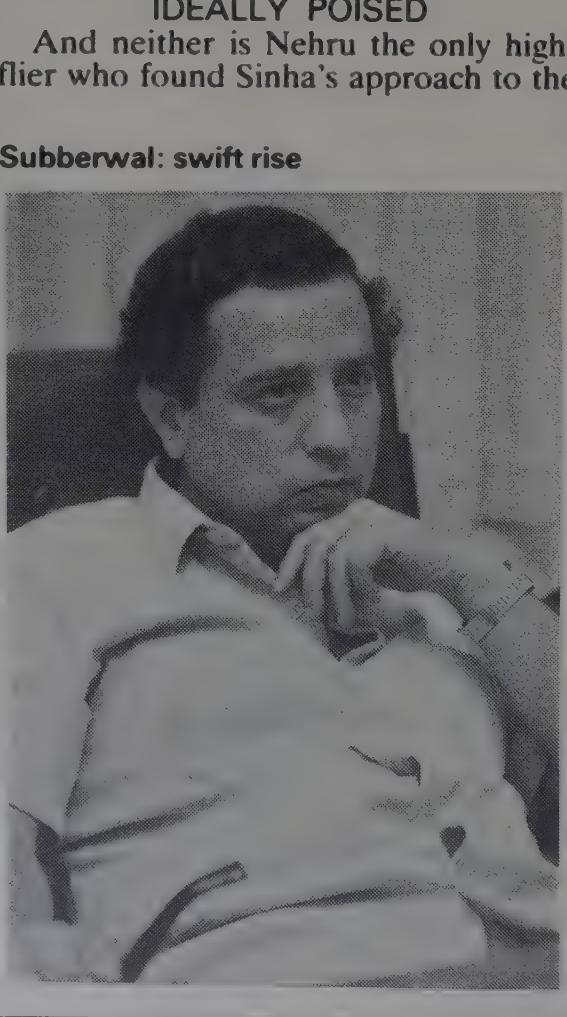
Indeed, Sinha lays considerable emphasis on the virtues of "professional" as opposed to family management. Thus a majority of the top managers of the Sinha group are not related to the family and some have been with the group for decades. Amongst the veterans might be counted A.S. Varma (51), a graduate of Bombay University who joined KLCW — then the only operating company in the group — in 1958 as office manager after brief successive stints as sales manager with Swastic Oil Mills, Colgate Palmolive and Remington Rand. Another long-timer S.C. Roy (63), who, until his retirement last month, was chairman and managing director of the group's recent (1984) acquisition, the Sone Valley Portland Cement Co. Ltd.

It also goes to Sinha's credit that a rarin'-to-go manager such as Arun Nehru felt sufficiently at home in the post-Sinha J&N to continue in his job with the now Indianised company although the latter had lost its *pucca* identity. As things turned out, Nehru's optimism was not unjustified. In 1978, not yet 40, he found himself chief executive of the company. It is a little known fact that he continued in this position even after being elected to Parliament and left the employment of the Sinha group only in October 1980 after the demise of Sanjay Gandhi.

IDEALLY POISED

And neither is Nehru the only high-flier who found Sinha's approach to the management of his companies cong nial. Subhash Subberwal (43), one of t early graduates of the Indian Institute Management, Calcutta (batch of 196 chucked up a prize job with the ve British and propah firm of Madura Coa and took a pay cut in his stride to join J& in 1975.

Subberwal: swift rise



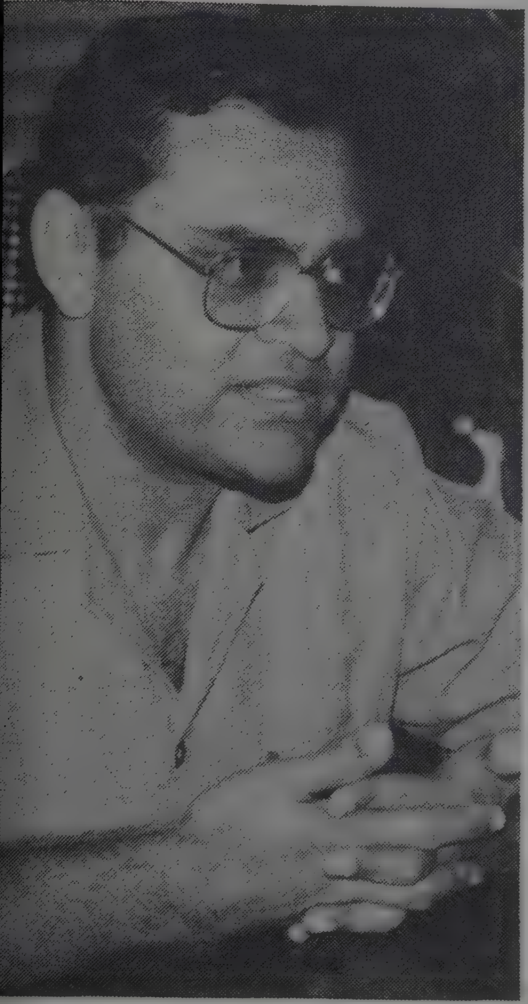
"I knew precisely zero about S. Sinha. I met him for the first time thr months after I joined. J&N was then company at the take-off stage, ideal poised at the point where things we going to happen. I signed up because 32 I felt it was well worth taking th risk," recalls Subberwal. As for Nehru so for Subberwal: the risk turned out t be well taken. The latter shinnied up th J&N corporate ladder with remarkabl speed. When he was appointed managing director of the company in July 198 Subberwal achieved the distinction o being the youngest IIM-C alumnus t reach the rank of chief executive (no counting family bestowed positions).

"This is a 100% professionally managed group," affirms Subberwal. "Th chairman (i.e. S.P. Sinha) considers himself to be an entrepreneur and not a manager. Therefore he performs just the entrepreneur's role while the manager' role is left to the respective chief executives and their senior colleagues." Indeed, there is much evidence which serves to convincingly corroborate and substantiate this statement.

Thus Sinha has carefully defined and spelt out his own role as a non-executive chairman in a manual authored by himself which is constantly updated: the current edition is dated 1st July 1986. On the very first page, it is laid down in black and white that "the chairman will not be concerned with the day-to-day management of the company." In more specific terms, the manual ordains that "the day-to-day management of the company and the responsibility to implement the decisions/advices of the board as well as the chairman will lie exclusively with the chief executive who will have full authority and responsibility for running the company."

The pre-eminence of the chief executive — rather than the chairman — in Sinha's scheme of things is even more apparent in the subsequent chapters of the manual which cover topics such as organisational structure, communication, financial and statutory controls, materials management, capital expenditure, travelling rules, personnel policies and so on. A good example is the dictum stipulating that "the chief executive will be totally independent in controlling the entire officers' cadre and their hiring and firing."

Most interestingly, the manual pres-



ilendra Sinha: passed over

oes details as to how a four member
porate advisory committee "will be-
ne active automatically" the moment
chairman leaves headquarters. And
ives a clue to Sinha's modest notions
his own indispensability when he de-
es "the chairman's unavailability for a
rt period to mean a time frame not
eeding six months." Says Sinha: "The
y the manual has been drawn up, our
npanies should be able to go about
ir businesses without a hitch even if
incommunicado for one whole
r."

Yet another piece of concrete
dence demonstrating his faith in pro-
sional managers is that Sinha has
minated on the J&N board as his
nber two — or immediate successor
not his Cornell and Stanford educated
unger (and only) brother Shailendra
Sinha (36), but his trusted colleague
S. Varma instead. Such instances are
e in the Indian context. And not a few
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that the group's success in turning
und J&N — which was also the turning
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eatly facilitated by the totally free hand
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nitors.

Sinha Saga

S. P. Sinha (45), Patna-based head of a diverse clutch of companies (aggregate annual turnover: Rs. 100 crores) loosely termed the Sinha group, is about the only Bihar-based industrialist of any standing. Here, in his own words, he recounts the fascinating tale of how the foundations of this industrial house were laid by his forefathers, beginning a hundred years ago:

❛In the middle of the last century, a young school teacher decided to leave his village, north of the river Ganges, to seek his fortunes in newer pastures in the town of Arrah. He found employment as a teacher to the heir apparent of the Dumraon raj, a zamindari near Arrah. Later, when the young prince became the ruler, he appointed his former teacher as the *diwan*. Thus a teacher became a manager.

Under his management, the state prospered and so did the diwan who became a landlord in his own right. But he had visions of a different future. When the then Burmese administration advertised for people to take out 'grants' in Burma and develop and inhabit them, the diwan applied for such a grant which he got in 1896. Unfortunately, before he could do anything about it he died in 1897. Thus a school teacher turned himself into a manager and had the adventurous spirit and enterprise to conceive a plantation in a foreign land. He was Rai Jaiprakash Lall, my great grandfather.

Thriving plantation. His son, Harihar Prasad Singh, was still in his teens when he took up the challenge of developing a 15,000 acre tract by clearing the swamps and jungles and establishing a viable and thriving sugar plantation in Burma by the early 1900s.

At that time, when management was an unknown discipline, the civil service was the only source for 'professional' managers. In the twenties, my grandfather prevailed on an eminent civil servant to resign from his service and join him in managing the plantation in Burma. Thus began a tradition and a culture in this organisation where key management positions have by and large been always filled by professional managers rather than family members. Around the twenties too, my grandfather entered the field of banking by associating closely with the Bank of Behar Ltd. — and thus gradually began the family's association with the commercial world.

In 1930, having passed out of college, my father the late Chandradeva Prakash Sinha decided to establish a sugar factory in Burma based in the plantation. In 1932 accordingly, the first industrial manufacturing enterprise in the group was begun with the commissioning of the sugar mill at Zeyawadi, Burma. Thus began the conversion of a 'feudal' family into an 'industrial' family. The Burmese enterprise prospered and over the next 10 years the family got involved with a sugar plant near Patna as well as with a cement plant at Banjari. In today's context, these were diversification moves. In 1943, the family acquired the controlling interest in Kalyanpur Lime & Cement Works Ltd. (KLCW) — which is still very much a part of the group.

Difficult period. During the war years the Burmese properties were confiscated by the Japanese and the group had to face a lot of problems. One hears many stories of young managers who had the courage to stay behind and ultimately regained control of the factories when the Japanese were defeated. But in 1954, the government of independent Burma nationalised our Burmese assets and thus the mainstay of our group ceased to exist — incidentally, no compensation was ever paid by the Burmese government. With the Burmese assets gone, the group necessarily faced a difficult period of readjustment. Thus in June 1966 when my father died in a tragic accident and I had to assume leadership of the group at age 25, the group was left with only one operating company, *viz.* the KLCW plant at Banjari. For all practical purposes, I had to start from scratch all over again.

Looking back over the hundred year span from 1866 to 1966 therefore, one finds a story of changing circumstances, of fluctuating fortunes, of how gritty individuals met challenges and of how a purely feudal organisation gradually transformed itself into an industrial set-up. It is a story of how even in difficult circumstances a management team can sustain business by adapting and re-adapting itself to ever-changing situations.❜

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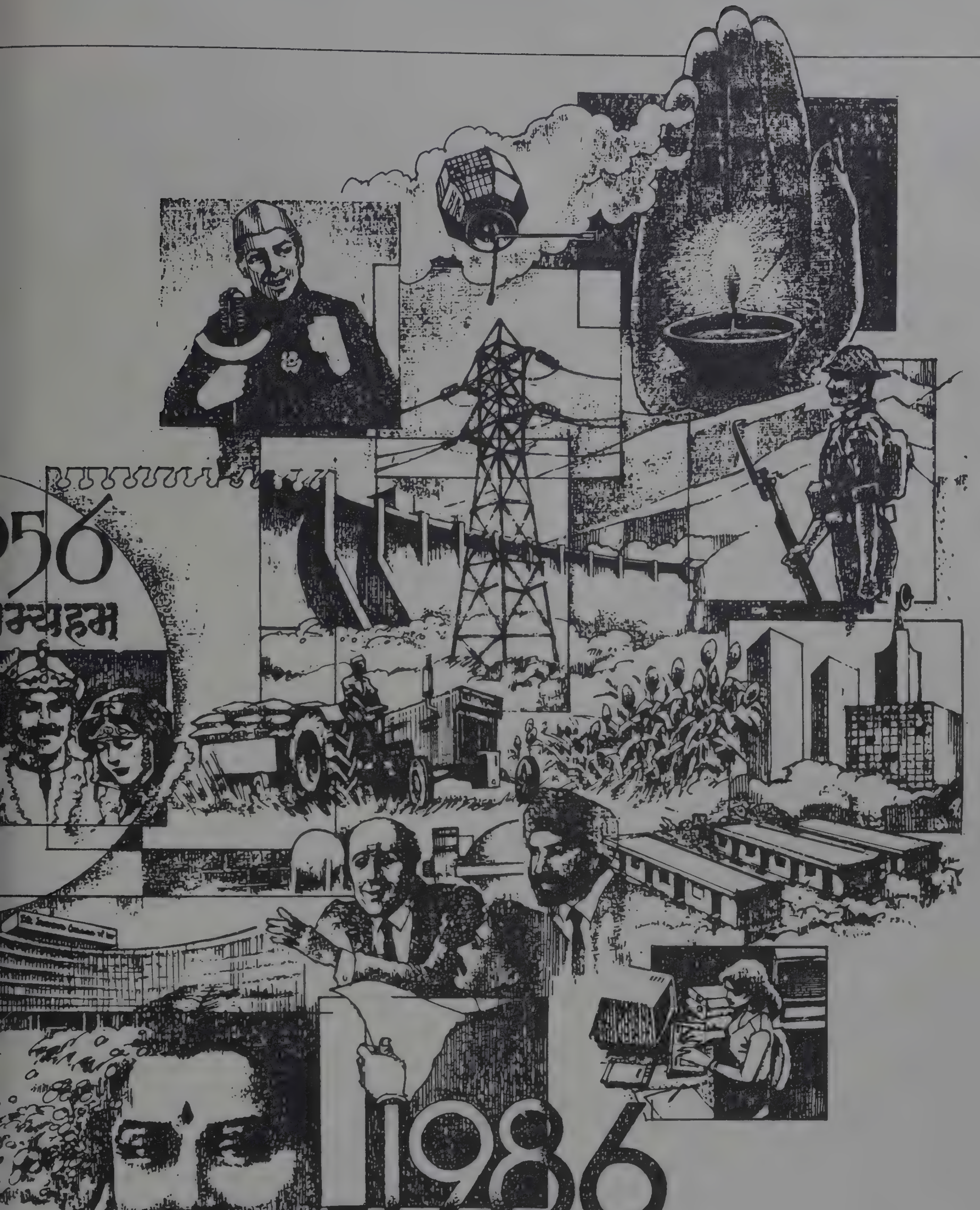

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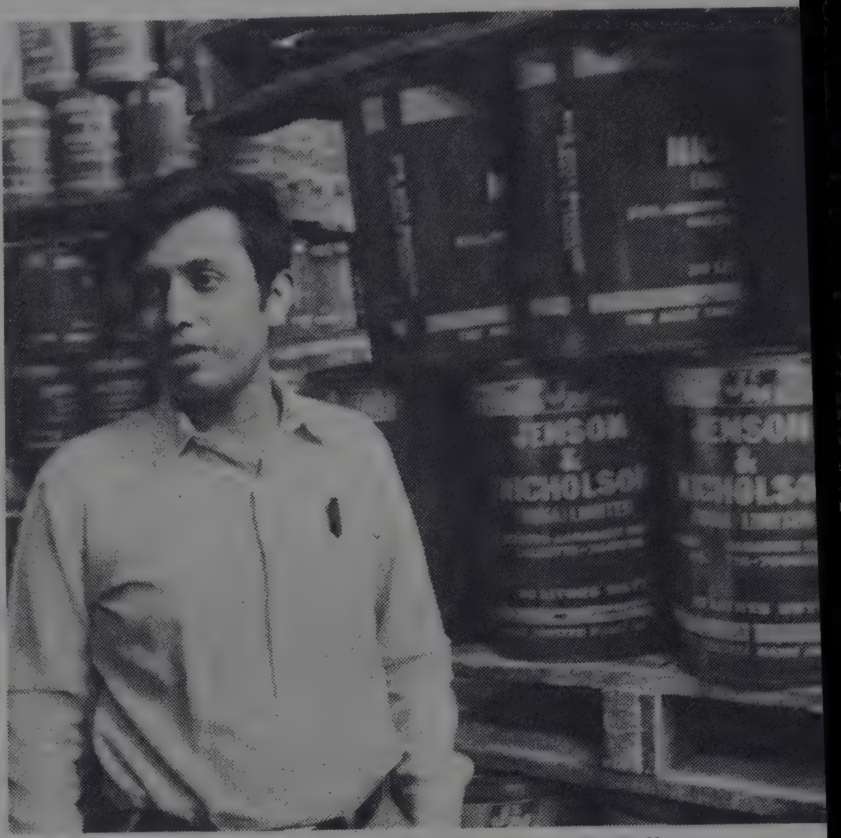
A.S. Varma: confident of getting back into the black



H.K. Varma: "a much more open organisation"

Even newcomers to the group are quick to feel the difference. Says H.K. Varma (36) — no relation to A.S. Varma — a mechanical engineering graduate of IIT, Kharagpur, who signed up as J&N's general manager (works) last year after a nine year stint with Voltas: "In J&N, I find a much more open organisation. The style of management is open, with accessibility at all levels to all levels. I find this very refreshing."

Not that an open management style has necessarily ensured profits for the Sinha group. Notwithstanding the best efforts of both entrepreneurs and professionals within the group, for instance, its oldest member company KLCW has not paid a dividend since 1966. Owing to a variety of causes — ageing plant and kilns, use of an obsolescent wet manufacturing process, overmanning, unremunerative prices, endemic power problems, etc. — some of which are common to the industry as a whole, KLCW slipped into the red after 1966 and remained steeped in red ink till 1982 when a dual pricing policy (effective February 1982) for cement came to its rescue.

WEATHERED LOSSES

"There were times when we wondered if it would be more appropriate to call it a day and close the show. For a company to have lost four times its capital was not a situation with any parallel," says Sinha. "But we stuck to our belief that things would change with a proper pricing policy and that it was a question of somehow keeping things together till this inevitability came about. We didn't close down operations for even a single day and weathered more than a decade of heavy losses," adds Sinha who incidentally himself held the mantle of managing director of KLCW till 1983 when he handed over executive charge to A.S. Varma.

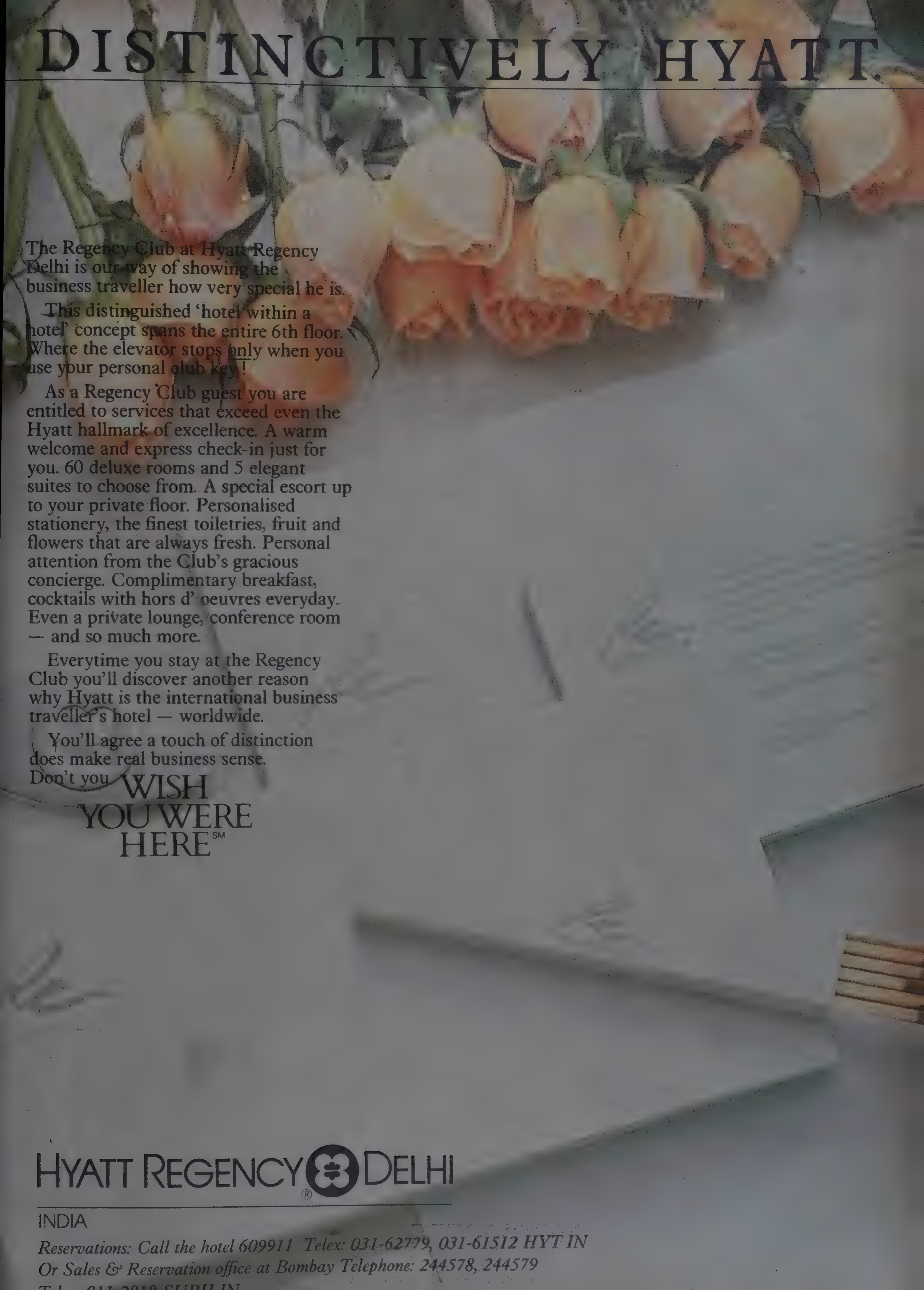
According to Varma, who (as mentioned earlier) is also Sinha's designated heir apparent, KLCW's accumulated losses as on 30th June 1986 were still Rs. 3.3 crores (*cf.* equity capital base of Rs. 1.88 crores). The recently concluded financial year however has produced "reasonably good" results: a profit of Rs. 1.7 crores on sales of Rs. 34.6 crores in value and 360,000 tonnes in volume representing a capacity utilisation of 90%. Over the last four years, says Varma, the plant has been balanced and rehabilitated and internally generated funds aggregating Rs. 5 crores have already been spent to this end. KLCW has also gone into the production of cement additives such as slag and pozzolana. "Thanks partly to the financial institutions' consideration in not pressing for accelerated repayment of long overdue loans, we have been able to handle our liquidity problem. I am now quite confident that KLCW will wipe out all its accumulated losses by the year ending June 1988," predicts Varma.

Anticipating this, ambitious plans have been readied for a Rs. 25 crore investment in a new dry process kiln of 500,000 tonnes per annum (tpa) capacity. Adds Varma: "Apart from ACC there is no other cement manufacturer in Bihar today of mentionable size. In this state, the market for cement will remain one of shortages till 1991. Assuming that we can maintain non-levy prices, KLCW has a good future."

Encouraged no doubt by the imp ing revival of KLCW's long sa fortunes, Sinha went ahead and r repeating the J&N takeover gambit w in February 1984, he spent about R lakhs to buy a 40% equity stake i sick Sone Valley Portland Cement Ltd., a former Sahu-Jain unit. Sone ley boasts India's second oldest cer plant of 1921 vintage, which howe was never modernised, has a blo workforce of 4,000 and accumul losses exceeding Rs. 6 crores. As th have subsequently turned out, Sinhas' originally envisaged strateg involving the government in a settler and then quickly reviving the unit by panding its capacity from 254,000 tp to 1 million tpa by 1990 misfired ba With the paralytic state governm headed by chief minister Bindhes Dubey sitting on the files, notwithst ing the personal initiative taken Dubey to see that the unit is reope the company's plant has been cl since last October.

REVIVAL PACKAGE

"Perhaps we were more ambitiou optimistic than we ought to have bee assuming that we would be able to tu round quickly," concedes Shailendr Sinha. "We did indeed underestin the magnitude of its problems on cer fronts. We are now working on a rev revival package which involves rationalisation of personnel and an in outlay of Rs. 15 crores to get the s going. For a sick unit, though, time critical factor. Because of the shutd



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"I am proud to belong to Bihar"

Sujoy Gupta interviewed S.P. Sinha (45), head of the Sinha group of companies of which the flagship company is Jenson & Nicholson (India) Ltd., in his modest office at the group's corporate headquarters in Patna, the capital of Bihar. Excerpts:

■ You are head of an all-India business house which has now crossed the landmark turnover figure of Rs. 100 crores. Your individual companies are headquartered or have plants in Patna, Ranchi, Calcutta, Bombay and New Delhi. Do you really find it convenient to manage such widely spread operations sitting here in Patna far removed, to say the least, from the mainstream of Indian business?

I have no plans whatsoever to move my headquarters out of Patna. If everybody moved to Calcutta or Delhi, places such as Patna would never improve. Besides, the country can't develop if oases of prosperity are created only in the metropolitan centres. I am proud to belong to Bihar, and I think I have a responsibility in ensuring the growth of this city and this state. There is also the comforting psychological advantage of being wanted here. I daresay in Calcutta or Delhi a group of our size would be regarded as inconsequential.

Communications-wise, Patna is not too inconvenient compared with the country average. Patna has direct international subscriber dialling (ISD) access, for instance. I feel the handicap is more perceived than real. I find that within a time lag of 15-60 minutes, I can get a line from Patna to anywhere in the world. Is Calcutta much better? In social infrastructure, I do admit that Patna is behind non-metro capitals such as Bangalore or Hyderabad. Here there is a role we have to play. We provide entertainment facilities, clubs and so on for our staff.

■ Does this mean that you see yourself as an agent of change, the mission being to change Bihar for the better?

Being a Bihar-based industrial house and Bihar being a backward state, we certainly have a role to play. Indeed, we are forced to play the role of leader, being the largest 'native' business house. But I would prefer that the change agent's role be played through the chambers of commerce and industry associations which can help improve the state's industrial climate or strengthen the base much faster than we can on our own.

■ In a relatively unindustrialised state such as Bihar where politicians loom large in everyday life, aren't you tempted to cash in on your pre-eminence and join the fray of politics?

I have no political ambitions at all. I don't understand politics and I don't even want to understand politics.

■ You must be under constant pressure from state level politicians seeking all kinds of favours. How do you tackle them?

It's incorrect to say that we are under tremendous pressure from politicians. Yes, there is pressure. But we are able to handle the situation. We never create unnecessary jobs in the first place and, besides, minimum qualifications must be met and the person must pass the interview.

■ Granting that you run your group from Patna, how does the system work in real life? In other words, how do you keep tabs on your companies from this relatively out-of-the-way location?

You see, there is nothing I do on my own initiative in day-to-day operations.
respective chief executives are t
free to run their companies as they
of course within previously appr
budgets. However, a major devi
from the budget needs my appr
Otherwise I get a monthly report
each company which I formally re
quarterly.

Except at the time of these corp
reviews, I have no executive functi
spend most of my time in strategic
ning and diversification. I'm trave
over half the year, mostly in conne
with negotiating foreign collaborat
and dealing with the government
with financial institutions. Also, I
drawn up a detailed manual which
fines my role as non-executive chair
and also lays down the line of comm
if I am away. The way the manual
been drawn up, our companies shoul
able to go about their businesses with
a hitch even if I'm incommunicado
one whole year.

**■ Having crossed the Rs. 100 cr
benchmark, your group has fin
'arrived' as it were. What strengths
the group count on in the pursuit of
expansion and diversification plans a
what weaknesses will it have
overcome?**

Its main strength lies in its team of co
mitted, competent, motivated a
thoroughly professional managers all
whom enjoy tremendous independen
No wonder we have been able to gr
fairly rapidly — and are still growi
Also, the group rests on a sound fina
cial footing. We have not overextend
ourselves financially. As a corolla
though, our capacity to put new proje
through is relatively small.

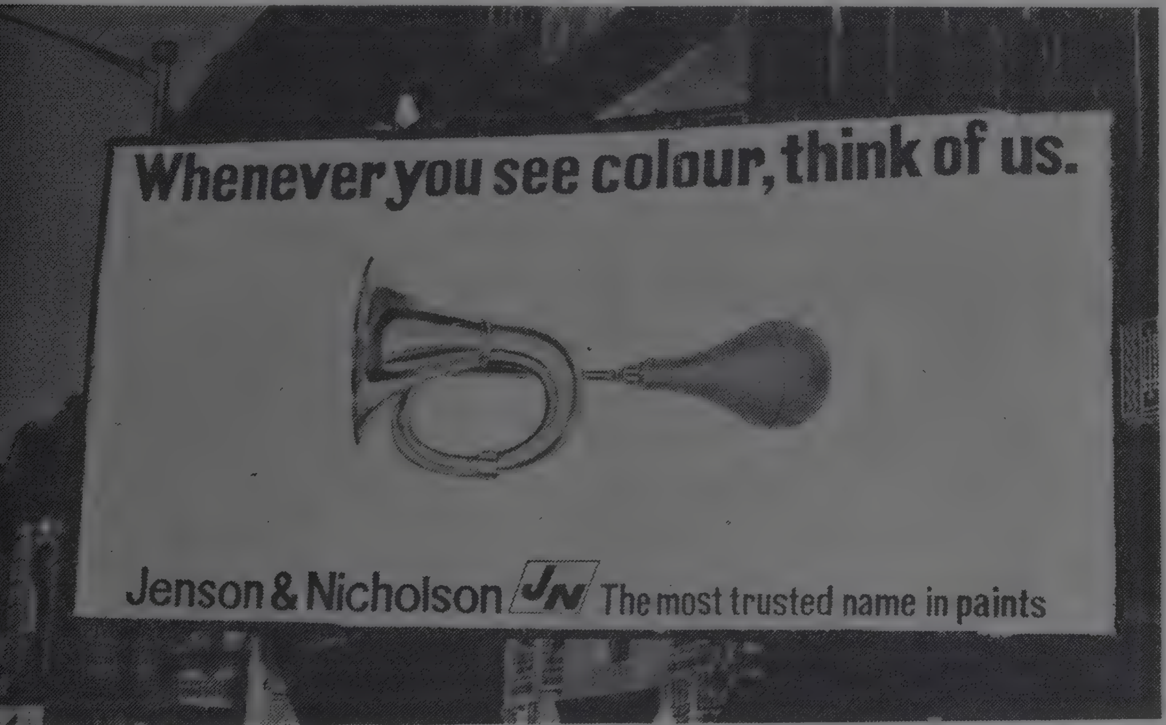
Another weakness as I see it is th
because our paint and cement plants a
both quite old, modernisation is
urgent priority. This requires resour
which could have gone into diversific
tion. Finally, I think our profitability a
percentage of turnover is still low
3.3%.We hope to see an improvement
this figure from 1987 onwards, thou
given that it takes time for technologic
manpower and diversification moves
gel, it is possible that profitability w
perk up only in 1988.

**■ Given these pluses and minuses,
which direction do you want to mo
now?**

I don't want to go into basic industri
any more, but only into new and hig
technology areas, where we can gro
with minimum governmental controls.

nce last October, the requirement of pital has already doubled." In trospect, was the Sone Valley takeover mistake? Answers the younger Sinha: No, we can't call it a mistake at all. If e revival package is agreed to today, e unit can be in production within six onths and in six months thereafter it n break even."

Despite having singed fingers with eir most recent acquisition, the Sinhas re pushing ahead aggressively to onvert some dramatic growth plans into ality. Not surprisingly, the spearhead new activity is the group's corporate agship company Jenson & Nicholson ndia) Ltd. A spanking new Rs. 5 crore ate-of-the-art paint factory at kandrabad (near Delhi), slated to ake the entire range of high technology dustrial paints plus the full range of ecorative paints, is soon to be onstructed. Already, 16 acres of land ave been acquired for the project. Sub- erwal says the unit should start com- ercial production latest by June 1988.


Whenever you see colour, think of us.
Jenson & Nicholson
JN
The most trusted name in paints

The J&N message: now new ground and unrelated forays

'The main objective of expanding apacity multi-locationally is to meet eak season demand without carrying xcess inventories," he says.

Also, J&N's electronic weighfeeder di- ision at Ranchi is being upgraded at a ost of Rs. 2 crores. The unit will now nake digital rather than analog weigh- eeders, again in collaboration with Carl Schenck. According to Subberwal, tech- ical knowhow for the manufacture of igital feeders is in the process of being ransferred while the setting up of new nanufacturing facilities have been com- bleted. The new weighfeeder should be n the market by end 1986, he predicts.

"Divisional revenue as well as profits will go up beginning next year," adds Subberwal.

By October, J&N will be breaking new ground by formalising an unrelated foray into electronics. Last November, the company signed a memorandum of understanding with the West Bengal Electronics Industry Development Corporation (WEBEL) seeking to take over, in due course, the management of the latter's ailing subsidiary Webel Computers Ltd. Licensed to manufacture microcomputers and microprocessor-based systems, Webel Computers offers several advantages such as a ready licence, a convenient location and captive orders from the West Bengal government.

FUTURE UPGRADATION

"We are seeking a real transfer of knowhow with access to future upgradation in technology; therefore we are being fussy about choosing the collaborator. We have shortlisted three names, *viz.* Bull (France), Compaq (USA) and Mitac (Taiwan)," says Subberwal, adding that the choice will finally be made "very shortly."

A finance associate styled J&N Leasing Co. Ltd., has also been promoted with Basak as its chairman. "We have begun modestly by leasing assets valued at Rs. 60 lakhs," says Basak, "mostly to our own group companies. We expect to increase the value of leases to Rs. 3 crores or more before long," he adds.

But will J&N be able to handle this assortment of unrelated businesses? Subberwal is optimistic. "We had no experience with the unrelated business of weighfeeders when we undertook manufacture of this line of products, but we have taken it in our stride. We were able to successfully absorb the technology and make this business a very successful and profitable division of the company," points out Subberwal.

Be that as it may, from another point of view it might be reckoned as a weakness of the Sinha group that it is tending to lean too heavily on J&N, a company which has a return on sales of only 2% and has obvious financial limitations. Sinha, though, does not agree although he concedes that the group pins high hopes on J&N. "Why should all our eggs be in the Jenson's basket?" he asks rhetorically, adding: "There is a mutual interdependence between our group companies, it's not a one way traffic. J&N has marketing strengths. Strong technical back-up is available elsewhere in the group. Each venture draws upon the strengths of other companies of the group."

In the final analysis, though, it is perhaps best to rely on the assessment of an impartial yet knowledgeable outsider in evaluating the merits and demerits of an entrepreneur-industrialist. There are few better qualified to comment on S.P. Sinha than Ram Lakshman (54), deputy chairman of ITC Ltd. Lakshman, who was chairman of ITC's Welcomgroup division from 1978 to 1983, has known Sinha ever since the latter's 5-star hotel in Patna entered the Welcomgroup chain in 1979. Incidentally, the property is leased out to J&N and earns an annual turnover of about Rs. 1.1 crore (at 63% occupancy) on this score.

ENTREPRENEURIAL SPIRIT

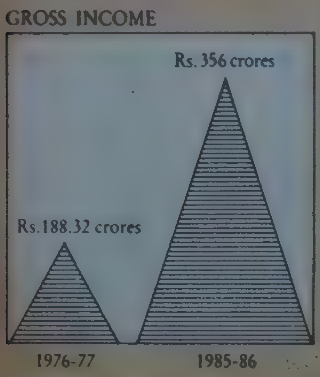
Says Lakshman: "SP as I call him, is highly pragmatic, result oriented and is a firm believer in a decentralised style of operations backed by strong central direction. He displays a vision, an entrepreneurial spirit and despite being based in a non-metropolitan centre, the overall growth of the Sinha group has been commendable. In particular, I've always found SP willing to accept new ideas and recommendations on product improvements. I'm sure all this will lead, in the longer term, to a strong and sustained performance by his group."

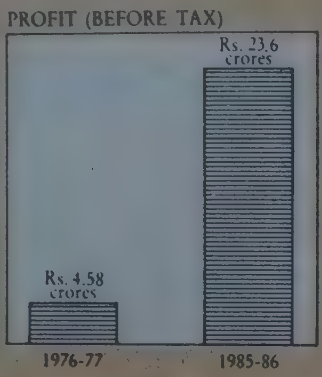
Strong and sustained is probably exactly right, given Sinha's declared "minimum aim" of doubling sales by 1990. And judging by the kind of motivation he has been able to kindle in his professional team, and the gamut of new ventures he has on his plate, this little known Bihar-based entrepreneur living in the back of beyond is hardly likely to falter in his fast gallop to the big league stable. BW

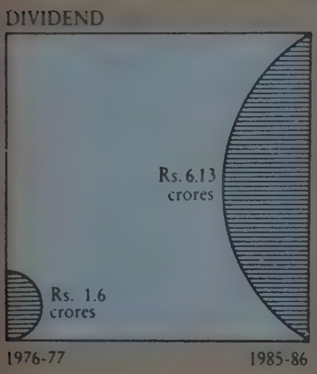
Growth is the essence of progress for a person as much as for a corporate body. We started as tea traders back in 1911 and today we have matured into a multi-product company making a sizeable contribution to India's prosperity.

All round growth

Over the years, more specifically in the last decade, we have grown multi-dimensionally. From 1977 to 1986, gross income increased from Rs. 188.32 crores to Rs. 356 crores; profit before tax from Rs. 4.58 crores to Rs. 23.6 crores; dividend distribution from Rs. 1.6 crores to Rs. 6.13 crores.



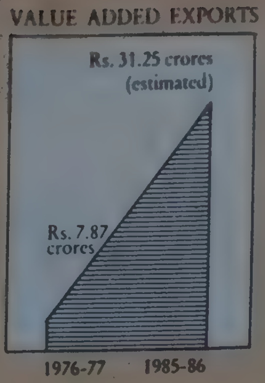




During the last decade our contribution to the national and state exchequers has been a cumulative Rs. 327.7 crores. Over the same period, the per capita income of our employees increased from Rs. 13,294 to Rs. 26,386 per annum. The Company's product range grew from packet tea to coffee, instant coffee, paper, spices, industrial machinery and mobikes. And all those associated with our growth have also become its beneficiaries.

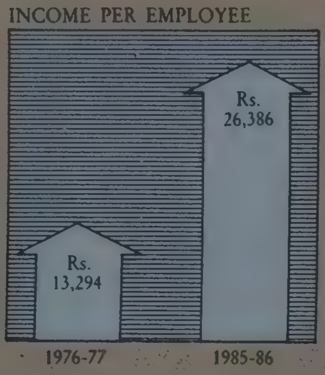
Doing India proud in the world

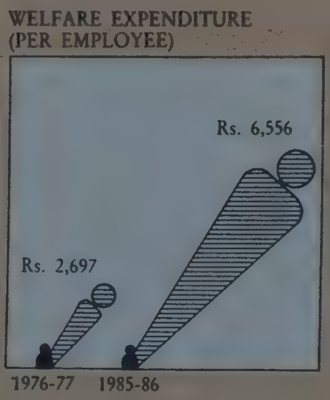
In accordance with the national priorities, we have shifted our emphasis from export of bulk commodities to the export of value added products. Our success shows in the increase in the value added export earnings from Rs. 7.87 crores in 1976 to Rs. 31.25 crores in 1986 (estimated). In the last decade alone we have contributed Rs. 415 crores by way of export earnings from all our products.



Fair deal for Brooke Bonders

Healthy industrial relations have been the hallmark of our growth years with not a single all-India industrial unrest over the last two decades. Responsible for this enviable state of affairs is the maturity and foresight of the Brooke Bond Employees' Federation, the apolitical apex representative body of over 8000 Brooke Bonders, and the Company Management. The aim is to provide security to all Brooke Bonders well beyond retirement, an objective that is further fulfilled by a life long pension scheme. In the Platinum Jubilee year of the Company, the introduction of an Employee Deposit Scheme will provide added security for Brooke Bonders in their old age.





Trend-setting landmark

And, now there is 'Brookefields', our new Corporate Complex at Marathahalli, near Bangalore, one of the few corporate complexes in India located in a rural setting. Built on a generous 20 acre site, the Complex comprises administrative blocks, a training centre, a club house with recreational facilities as well as residential accommodation for key management personnel. Our move away from the city is as much motivated by a sincere desire not to overstrain the already strained urban infrastructure as our determination to create a milieu conducive to better working conditions for Brooke Bonders.

Brooke Bond India Limited

Growth all round is our cup of tea.

The 'Brookefields' Corporate Complex, Marathahalli inaugurated by Mr. E.J. Verloop, Chairman, Brooke Bond Group, on 19th August 1986.

A few words from Brooke Bond India- a company that has grown impressively in 75 years

LETTER FROM MANILA

JOSE GALAN

Continuing confusion

Philippine business continues to mark time despite improving economic fundamentals. The private sector is getting increasingly worried over the cacophony of the wranglings in the six month old government of President Aquino and over the growing influence of the Left in the labour movement. The biggest problem is still the weak demand for various industrial goods, which has led to curtailed production and slowed investment. However, the government has unveiled programmes and policies aimed at boosting purchasing power via an emergency employment scheme in the countryside and through less oppressive tax policies.

But businessmen are still largely unimpressed. For example, they accuse the government of failing to contain a rash of labour strikes in recent months, charging that some officials are siding with striking workers. In the first seven months of 1986, the number of strikes already exceeded the 371 recorded for the whole of 1985. Invariably, businessmen trace the strikes to 'radical elements' in the labour sector. Most of the recent strikes were staged by unions affiliated with the Kilusang Mayo Uno (KMU) or May First Movement, a six year old labour federation whose socialist stripe is no secret. Most of KMU's demands are economic. The general slowdown in economic activity over the past three years rendered jobless some 2.6 million of the country's labour force of 21.7 million. Another 5 million are under-employed. Even those workers who are employed have had to bear a drop of some 6% in real wage rates over the same period, despite a rise in nominal wage rates as price increases reached 50.3% in 1984 and 23.1% in 1985. Meanwhile, the country's 1,000 top corporations increased both their revenues and net profits significantly.

Wage freeze. The labour movement has petitioned for a 25% increase in mandated minimum wage rates this year, but the Aquino government declared that labour and management will be left alone in determining ideal compensation levels. The recent wave of strikes appears to have been spurred also by this *de facto* freeze on wages.

Meanwhile, labour minister Augusto Sanchez, a former human rights lawyer and an opposition member of parliament in the years preceding the fall of Marcos, looks at the current labour militancy as a release of frustrations built up during the Marcos administration, which the labour movement best remembers for 'repressive and oppressive' labour laws. Sanchez is confident that the strike fever will fizzle out as workers relish the whiff of freedom brought about by Marcos' ouster. The labour minister has been strongly criticised by many businessmen for not effectively acting against the wave of strikes.

For its part, the business sector remains wary of the possibility of a military takeover that will install defence minister Juan Ponce Enrile as leader. Businessmen are divided over the prospects of an Enrile leadership. Some believe that he is capable of exercising more effective control of government, compared with the clumsiness of the current administrators. However, there are many who believe that given Enrile's perceived ruthlessness—he was Marcos' martial law administrator—and the poor human rights record of many of the military officers close to him, his rule may be more repressive, and therefore more unpopular, than even that of Marcos.

Increasing incursions. For the time being, businessmen are more concerned with what they view as increasing government incursions into private sector affairs—exemplified by the activities of the Presidential Commission on Good Government (PCGG), which has been given vast powers. The commission is charged with retrieving from Marcos and about a dozen of his relatives and business associates, assets alleged to have been illegally acquired during the former president's rule. The PCGG has already sequestered assets from 218 corporations, many of which are now managed by the commission. The wide powers are necessary, PCGG officers insist, to facilitate the return of "tens of billions of dollars" worth of assets to government coffers. But the business sector fears that the commission is already developing into a giant holding corporation, which may unfairly compete with the rest of the private sector.

AFRICA

A hunger for science

As the focus of the world shifts t Harare, the capital of Zimbabwe, on the eve of the twenty fifth summit of the Non-Aligned Movement (NAM), it is increasingly becomin clear that the issue that is likely t dominate the proceedings at this summit is the question of apartheid. Wit the racist Pretoria regime determined t defy the consensus of world opinion b imposing economic sanctions on th frontline African states for their temerity in moving the Commonwealth countries to impose economic sanctions against South Africa, the NAM summiteers are going to find it extremely difficult to shift the focus away from this issue.

Although it is perfectly justifiable that white racism and colonialism should dominate the proceedings of an organisation which is primarily made up of members who themselves have thrown off the yoke of colonialism only recently, there are certain other burning issues that are, unfortunately, likely take a back seat. Whatever the black African states may feel about tolerating the existence of South Africa in their midst, it is obvious that there are bound to be a few nagging doubts about the efficacy of the flood of rhetoric that is likely to emanate from Harare over the next few days. As more than one member of NAM has pointed out, the moral indignation of third world leaders is unlikely to put one grain of additional food in the mouths of the starving people of Africa. And this is a tremendous pity, for due north of Harare in sub-Saharan Africa nearly 400 million people—half the population of this continent—are still being ravaged by the effects of drought and penury that has made them the wretched of the earth.

Fundamental problems. Despite the publicity with which relief has been despatched to the drought-afflicted regions, some of which are also in the grip of civil war as are Sudan and Ethiopia, a great deal still remains to be done to aid Africa's starving millions as a recent World Bank study (World Development Report 1985-1986) points out. Indeed, the nature of the crisis engulfing Africa brings into sharp focus the fundamental nature of the problems hat most nation states in the continent ace.

It would perhaps have been more han fitting if the NAM summit had in he course of the lip service that will nevitably be paid to South-South cooperation, chosen to discuss these issues hat stand at the base of the developmental effort in the African region vhich still remains the most underdeveloped continent in the world. And in a technology-led world, the essential question boils down to the quality of the science and technology effort that is being made in Africa.

A small parallel will suffice to show the criticality of such an issue. It is fairly obvious, as monitors of the scientific community are quick to point out, that had India not invested in the technology that resulted in the so-called 'green revolution, this sub-continent might well be going through the same phase of total despair that the hungry of sub-Saharan Africa are experiencing even now. The speed with which India's scientific—particularly the agro-scientific—community developed and adapted the imported rice and wheat strains, is a tribute to the technology base created by this country. On the other hand, in Africa the whole theme of science and technology policy planning remains a novel concept.

With the traditional technologies being the first to be relegated to the background during the induction of modern technology in the mid-sixties, technology transfers from the West to Africa were not dovetailed to the different socio-economic backgrounds of the newly-emerging African states.

To the national leaders of Africa, science and technology was a means to an end, an instrument capable of enhancing their political aura as well as bases within society. In many cases, the leaders of these nations had only a nodding acquaintance with the concept of egalitarianism, and the question of probing into existing socio-economic equities did not arise. For them development was synonymous with the import of western technologies. This was perhaps why step-motherly treatment was meted out to traditional African technology and associated cultural values.

The current social and economic crisis in Africa has brought into the limelight the question whether Africa has gained substantially during the last two decades from the intensive application of foreign technology. The answer to this question and the need for a proper science and technology policy or priorities, is obvious from a look at the dismal agricultural situation in Africa.

Waiting for food in Ethiopia: the price of ignoring technology

The question haunting Africa's planners is, why is sub-Saharan Africa, with just 400 million people and enviable vast land reserves, starving when Asia, with half of the earth's 5 billion people is producing food surpluses and bumper harvests?

Restoring fertility. The obvious answer is that science has failed to deliver the goods in Africa. Neither has nature been kind. Much of Africa is saddled with an infertile soil, low in calcium and magnesium, which contributes to its alkalinity. The problem is compounded by the absence of potassium, an essential plant nutrient and the soil's leaching by high temperatures and torrential rains over thousands of years. Fertility needs to be restored by treating the soil with limestone and nutrients such as nitrogen, phosphorous and potash. But it requires scientific skills to bring about this change.

Although sufficient surpluses for investment have been generated, it has hardly had much of an impact. A critical shortage of scientists, technicians and managers persists. "Scientists must test crops and develop data on fertiliser use, planting methods and control of insects and diseases. Technicians must show farmers what, when and how to plant: how to fertilise and control weeds and conserve moisture. Managers must get fertiliser to villages six weeks before planting, provide credit repayable at harvest to buy it, and set a fair crop price so that farmers can pay off their loans," says veteran Africa-watcher Richard Critchfield *(International Herald Tribune,* 23rd June 1986).

However, available data does not suggest that many African technicians or scientists have risen to the occasion in this way. On the contrary, it is the 72 year old Professor Norman Borlaug who has undertaken a project funded by Japan to examine what can be done with sorghum in Sudan and corn in Ghana! It remains to be seen whether his experiments will be able to stir a grassroots agricultural movement in Africa as they did in India.

The Lagos Plan of Action formulated in 1982 was the first to focus attention on the problems of spurring the application of science and technology in Africa. The plan formulation exercises also brought home the realisation that part of the problem was an inadequate understanding of the issue itself. It was not enough to situate science and technology within the broad ambience of a flexible political and economic framework, but also to emphasise the role and structure of the state in order to usher in industrialisation.

The Lagos Plan stressed self-reliance and collective development which sound like empty cliches when contrasted with the fact that Africa's share in manufacturing has only reached 2% of total world output. Also Africa's GNP growth rate as a whole for the period 1970-79 was the lowest among all continents. The crisis is particularly severe in the low income sub-Saharan regions, which have experienced a pronounced decline in agricultural production and exports. The annual GNP growth rate in most of these states during the seventies was below 1%. Even more ominous was the fact that the growth of per capita food production was also the lowest.

Blemished data. Among the data available on the state of science and technology in Africa, that provided by UNESCO is the most comprehensive. However, even this data is not free from blemishes; many of the figures reported in the UNESCO Statistical Yearbook 1982 are about a decade out of date, and even then, neither all the African countries nor all the regional groups of countries come within its evaluative purview.

Two generation appeal in Africa

These limitations notwithstanding, the UNESCO data projects a depressing picture of Africa's science and technology. During the period 1974-78, Africa's share of global R&D personnel was pegged at 0.7%, an increase from 0.4% of the previous five year period. R&D expenditure has remained steady at a mere 0.4% of GDP. The average R&D expenditure in Africa on a per capita basis is below $2 and below 1% of the GNP in most of the continent's nation states.

The UNESCO Statistical Yearbook 1982 also highlights the scarcity of manpower resources in terms of science and technology personnel. This is undoubtedly connected with the lack of higher educational and research facilities in the continent. The only redeeming feature is that most African nations have increased their expenditure on education. The average government functional expenditure on education in Africa is 15.6% of the total, with some countries incurring an expenditure of as much as 20% (Botswana, Guinea-Bissau), and even 35% as in the case of Ivory Coast.

If one examines carefully the type of work available scientific personnel are engaged in, one finds that most of them are agricultural and natural scientists, with only a few engineers thrown in. Social sciences in contrast, seem to be more attractive to Africans. In Kenya, the vocation distribution of science graduates is natural sciences: 27.4%; agricultural sciences: 50.69%; social sciences: 9.7%; engineering: 7.76%; and medical sciences: 4.43%. In Malawi, the breakdown is natural sciences: 29.41%; agricultural sciences: 23.75% engineering: 12.85%; and medical sciences: 1.30%.

UNESCO data also indicates that there is a very low ratio of scientists to technicians. Secondly, it indicates that there is a marked increase in the number of part-time scientific personnel (48%, who also double as teachers or administrators). A very insignificant proportion of scientific personnel are engaged in research and development work on a full-time basis. On the contrary, and rather unfortunately, their talent is being utilised in general services and in higher education.

Key to rehabilitation. One of the factors contributing to black Africa's poor production and R&D record is that the industrial strategy is skewed towards foreign collaborations and indigenous R&D has to take a back seat. Secondly, industrial R&D is accorded low priority in Africa. A look at Africa's Priority Programme for Economic Recovery, 1986-1990 (APPER), which is a part of the Lagos Plan, shows that considerable stress is being laid on agricultural productivity, for it is felt that it could be the only key to Africa's economic rehabilitation.

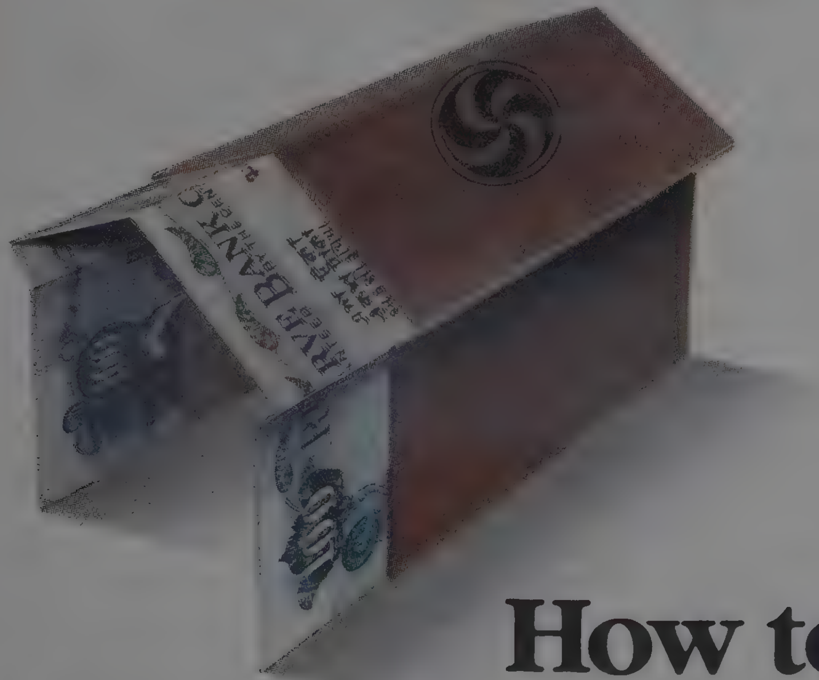
A mammoth outlay of $57.4 billion (Rs. 68,880 crores) approximately equivalent to 45% of the projected requirement of $128.1 billion for implementing APPER by all the African nations has been allocated to the agriculture sector. According to the well-known African scientist Adebayo Adedeji, who is involved in the APPER project, "The goal is to raise public investment in food and agriculture and the supporting sectors continually an in all sub-regions."

In North Africa, the two sectors account for over 98% of total planned investment under the priority programme during the 1986-1990 period. Corresponding percentages in other sub-regions are Indian Ocean countries: 89%; East Africa: 90%; southern African states: 94%; central Africa: 93%; and the Sahel: 93%. Only in the non-desert region, is this heavy emphasis on agriculture on the wane. In the West African countries (Benin, Ghana, Guinea, Ivory Coast, Liberia, Nigeria, Sierra Leone and Togo), the investment in the agriculture sector is a much lower 74% primarily because human resource development in West Africa claims about 21% of public investment.

Coming back to the subject of lack of African scientists engaged in R&D, yet another reason could be that administration, teaching or consultancy offer higher status and better pay packets. In a case study of the scientific community in Nigeria, Thomas Eisemon, a science policy researcher, has shown that very few of the scientists in his sample were busy honing their skills in their field of specialised R&D. This could be because of warped government policies towards science, or in many cases, the pressure exerted by the extended families of these scientists. This is in sharp contrast to the situation in the West, where scientists often gravitate towards industry after years of specialised research.

Awareness gauge. If one has to gauge the state of Africa's science and technology awareness from the point of scientometrics, i.e. scientific productivity measured through the number of publications, one finds that black Africa produced a mere 0.32% of the total mainstream science literature in the world, in contrast to 0.96% by Latin America, 2.86% by Asia and 1.38% by West Asia and North Africa. In Africa, Nigeria and Kenya accounted for 405 of the total 882 publications or 45% of the output.

In Africa, where the lack of a developed scientific base is being keenly felt, a new drive to develop indigenous R&D capability and to apply the fruits of international research especially in agriculture, is vital. One hopes that while the subject of aparthied in South Africa engages the attention of the delegates to the NAM summit in Harare, some time will also be set aside for discussing ways and means of transferring proven technology from the third world—particularly agricultural technology from India—to black Africa. For in the final analysis the most apposite answer to the



How to cut centering costs by over 70%

Without cutting corners.

Construction projects are not small-time investments. When estimates flirt with nine-figure amounts, even fractional savings have welcome implications.

The simplest way of cutting costs is, of course, cutting corners. It's also the simplest way of ruining a hard-earned reputation.

There's another way. It involves making use of the outcome of technological breakthroughs.

Swastik Marine Plywood, for example, is a product that outdates all other material used for centering purposes. A Vacuum Pressure Impregnated Plywood, Swastik Marine Plywood is a product of superior technology that helps you cut centering costs by over 70%.

Run an experienced eye over the table alongside. You realise that Swastik Marine Plywood provides a unique combination of the strength of steel (tensile strength: 700 kg/cm²) and the lightness of wood (sp. gravity 0.75).

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doctrine of apartheid and white supremacy is not for black Africans (and the various shades of Indians) to say that they are as good as the whites—but to prove that they are.

Subrata Sen Gupta

SOUTH KOREA

Still a command economy

South Korea's basic economic indicators are looking good again. The trade balance will be in surplus this year for the first time in more than 20 years and the current account balanced, for the first time since 1977. Gross national product growth is likely to be in double digits for the first time since 1979 and the inflation rate has fallen to around a twentieth of the level at the beginning of the decade. All seems well—yet not all is well.

The return of boom times reminiscent of the mid-seventies may obscure the fact that many of South Korea's largest construction and shipbuilding companies nearly went bust last year, along with the government-controlled banks which were forced to support them. The return of payments surpluses may well provide a new sense of security to foreign banks which lend liberally to South Korea. Equally though, it seems likely to postpone much needed basic reforms in the financial system.

The problem is that for all the lip service paid to liberalisation of markets and institutions in South Korea, the government still likes to operate a command economy. The economic record of this "megaphone society," as some dub it, has been good overall in terms of growth, albeit financed at a heavy cost. But the official zeal to dictate sometimes ill-advised investment policies has led in some cases to a waste of resources and has kept South Korea running fast on exports simply in order to stand still on servicing its foreign debt. The government is currently working out a programme for future debt growth in the light of the dramatically improving balance-of-payments situation, but finance minister Chung In Yong says that there would be no dramatic change in the country's overall level of foreign debt, and that South Korea will seek to build up its overseas assets instead.

Relevant comparison. The contrast with Taiwan, which is virtually unborrowed and has foreign exchange reserves nearly 10 times as much as South Korea's, is not lost on South Koreans, even if Taiwan does have problems of its own. The comparison is becoming all the more relevant now that South Korea has reached a positive payments balance which oil shocks and soaring international interest rates prevented it achieving a decade ago, and now that high inflation has given way to a high level of saving.

All this allows the government more room for manoeuvre on its exchange rate policy, which has been used often in the past to restore export competitiveness lost through rising costs—to the point where Chung is termed the "father of dirty floating." The question is whether the government will fully grasp the opportunities offered by these virtuous developments, while the "three lows"—oil prices, international interest rates and the low won (relative to the yen)—persist.

Kim Mahn Je: middle path

This applies as much to the development of financial policies as to industrial policies. As the principal allocator of funds (through the banking system) in the past, the government has also been the principal arbiter of investment decisions. If the now-liberal savings within the South Korean system are to be channelled efficiently to entrepreneurs and markets best able to make use of them, the capital markets will have to be freed considerably. South Korea's
deputy prime minister and chief econ
mic adviser Kim Mahn Je ackno
ledged recently that "we have reached
level of savings which has great implic
tions for the development of our capit
markets." But that implies that th
command economy must become mo
subservient to market signals.

Development financed by bank loa
has always been the other side of th
coin of South Korea's command ec
nomy, and giving up the habit of len
ing money to gain quick results wi
have to mean a weakening of the line
command from the government to th
private sector. Although the logic
freer capital markets may be unassai
able even to the technocrats who a
now in command, less logical politic
and cultural reasons for holding ont
control, remain.

Tremendous pressure. South Korea
bureaucrats are regarded by a frequen
ly critical and impatient public as hol
ing full responsibility for the perform
ance of the economy. In a countr
where public political debate is co
strained, debate on economic matters
remarkably free, and the pressure
achieve quick results as well as gua
against embarrassing disasters,
tremendous. Economic policy makers
the technocratic mould, such as depu
premier Kim, are often obliged to tre
a wary middle path beween followi
free-market theory and 'pragmatism
As minister of finance last year, Ki
was labelled the 'textbook minister' by
business community highly critical of h
determination to reduce corporate de
as a step in the direction of free
financial markets.

Unfortunately, government efforts
this direction appear to have backfire
setting back the pace of reform some
what. In recent times, a number
relatively high-yielding new saving
vehicles have been permitted to variou
institutions, partly in order to mop u
liquidity which would otherwise caus
inflation and partly to help draw mone
out of the unofficial (and crash-prone
kerb market. Liberalised interest rate
in this sector naturally put the rates
the regulated (even though nominall
privatised) commercial banks in th
shade, and equally naturally, mone
flowed swiftly into the new instruments

Instead of going further down th
liberalisation road and freeing com
mercial bank interest rates too, th
government deemed that interest rate
in the relatively unregulated sector
South Korea's financial markets ha
become "too high." To counter this
money was funnelled back to the bank-
ing sector through the official discoun

window so that the commercial banks could replace liquidity lost to new savings instruments (though some of the banks are expected to counter by launching their own money market-type funds too). The banks were then able to woo back with cheap loans corporate customers flirting with funding through non-bank institutions and through instruments such as debenture issues.

There is another factor behind the government's caution. The modestly capitalised—relative to their loan exposure—commercial banks in South Korea have been burdened with heavy loans to the troubled construction and shipbuilding sectors. According to Kim, South Korean firms still have some $20 billion of construction contracts outstanding in West Asia and contract defaults have meant losses of "$300-400 million" for some companies.

South Korean banks have guaranteed the borrowings, including foreign debt, of these construction companies and the government cannot allow the companies to drag banks down. Even after the collapse of the Kukje conglomerate last year, the decision to place it under the management of the Korea First Bank was seen as another example of 'Korea Inc.' at work. A real collapse might damage irreparably the image of Korea Inc. on which the foreign banks rely. And Korea Inc. in turn relies on the foreign banks. By herding corporate borrowers back into the commercial bank corral, the government hopes too that the banks will acquire new assets, which will in time submerge the raft of bad loans they currently have on their books.

Exacerbated position. All this may salvage the position of the banks and help reassure South Korea's numerous overseas creditors. But if anything, it is likely to exacerbate the over-leveraged financial position of the South Korean corporate sector. Ironically, this is happening at a time when foreign fund managers are very eager to get into the now booming South Korean stockmarket.

The government's caution over opening the stockmarket to direct foreign investment contrasts strangely with its dependence on foreign banks—and of course helps maintain the banking system as the principal conduit of funds and transmitter of official policy signals. Coupled with the strong residual distrust of the stockmarket among South Korean bureaucrats, the moves to bolster the position of the banks could set back what many see as a needed process of institutional development and capital market liberalisation. So far, the command economy appears to have prevailed over the market economy in South Korea.

Antony Rowley and Paul Ensor
(By arrangement with the Far Eastern Economic Review, Hong Kong)

BRAZIL

Supremo's space ambitions

In keeping with its status as Latin America's own super power, Brazil has unveiled an ambitious $1 billion space research programme to subserve its long term national strategy of building itself into a mighty technological and scientific third world power by the end of this century. Although Brazil lags way behind India and China in its space programme currently, this Latin American giant has nonetheless achieved impressive results in building and testing a variety of space hardware which is a prerequisite for the conquest of space.

Because of its sprawling size, difficult terrain and widely scattered population, Brazil has deemed it fit to go in for a full-fledged domestic spacecraft system. The $50 million (Rs. 60 crores) Brazilsat system consisting of two spacecraft in geo-stationary orbits provides television and telephone services, linking remote areas to the main centres. Built by Spar Aerospace, Canada, under a contract from Embratal—the Brazilian telecommunications authority—Brazilsat has ushered in a communications revolution in Brazil. Both the spacecraft in the Brazilsat series were launched on board the European Space Agency's rocket, *Ariane*. Now Brazil plans to lease channels on board Brazilsat to other Latin American countries.

"Our price index is rising as fast and as high"

Significant project. According to Mr. Rozenfield, Brazil's leading space technologist, Brazil is keen to get into the satellite telecom business with perhaps part of Brazil's next generation of domestic satellites being developed indigenously. Brazil's most significant near-term satellite project codenamed MECB focuses on the development and launch of four satellites from Brazilian soil. The total investment on this project is $800 million (Rs. 960 crores) over a decade, says Marco Antonio-Raupp, head of the Institute of Space Research (INPE). Of the four spacecraft now under development, two will be for weather forecasting and the other two for remote sensing missions. While the weathercraft will maintain a quasi-equatorial orbit at an altitude of 25° which is essential to cover the entire Brazilian land mass, the remote sensing satellites will go into the helio synchronous orbit so as to pass the same place at the same illumination each day. If everything goes as planned, the first Brazilian-made remote sensing satellite is expected to go up in the late eighties.

Brazil currently buys data from the American remote sensing satellite Landsat to explore its natural resources and to monitor its environment. The country's space scientists have also taken up the development of a transmitter for the International Search and Rescue Satellite System (SARSAT). The transmitter is meant to monitor aircraft or ships in distress.

Since Brazil embarked on its space programme in 1960, the country has launched more than 250 sounding rockets for scientific probes of the upper atmosphere. Having qualified its Prove-3 missle which attained a speed of Mach 3, Brazil is now nearer to building its first ever space booster.

Pointing to Brazil's growing interest in the strategic potential of space technology, the space activities of the country are now being coordinated by Brigadier Hugo de Oliveera Piva, director of the Brazilian air force's Institute of Space Activities (IAE). Exuding confidence over Brazil's capacity to derive military benefits from its space programme, he conjectured that the "country's ace missile Probe-4 could carry an atom bomb." As it is, Brazil has adroitly been exploiting space spin-offs for

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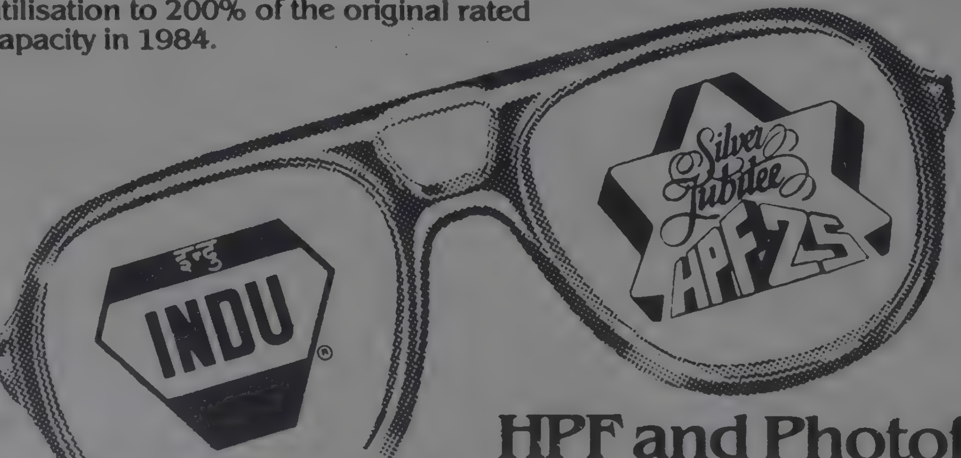

HPF and Photofilms: You can't picture one without the other

oth peaceful and military purposes. he technology generated in Brazilian pace labs for the manufacture of special types of steel has been used to levelop high strength steels which are ow being exported to the US on a large cale for use in Boeing 747 landing gear ystems.

But the most lucrative beneficiary of he Brazilian space programme is Avibrass, the fifth largest arms manufacturer in the third world, which also specialises in building high-precision military missiles. The best selling hardware of the Avibrass is the Sbat-70 air-to-land rocket which is similar in capacity and performance to the Soviet Migs. This year Avibrass plans to obtain orders for the supply of about 20,000 Sbat-70 missiles. Iraq in particular has intensified its purchase of these missiles for use in its prolonged war with Iran.

Brazil's space research and application activities are managed and executed jointly by INPE and IAE. While INPE is totally civilian in character, IAE is geared for military-oriented research and development activities. Since 1971, INPE has been busy studying the possibilities of deploying satellite technology in astro-physics, remote sensing, meteorology and geodetic studies.

"Launcher country." In the immediate future, Brazil hopes to become a "launcher country," with the completion of the development of an experimental launch vehicle based on the technology of existing Sonda rockets. However, to upgrade the Sonda rocket into a booster powerful enough for an orbital mission, Brazil will have to depend partly on borrowed technology. To achieve this, Brazil is in touch with the French space agency CNES to explore the possibility of obtaining the first stage of the French rocket *Diamant*. The IAE which has taken up the development of a launch vehicle has set up a launch range spread over an area of 520 sq km at Alcantra near Antarctica. This new rocket range situated 2° east of the equator is 20 times larger than the civilian launch pad at Natala. In all probability, Brazil will soon make this launch facility available to other countries on commercial terms.

As Latin American observers see it, Brazil attaches more importance to the military possibilities offered by space exploration than to its multifaceted peaceful applications. But either way, once Brazil breaks the barriers of gravitation and zooms into space, its claim to being Latin America's technological supremo will be vindicated.

Radhakrishna Rao

USSR-CHINA

Signs of a thaw

Moscow played host late last month to the first mayor of Peking to visit the Soviet capital in three decades. This minor piece of history follows a Chinese trade exhibition jammed by curious Muscovites and a fashion show at the Chinese embassy attended by Raisa Gorbachev, wife of the Soviet leader.

Peking, meanwhile, has been playing host to Ivan Arkhipov, the Soviet first deputy prime minister and the highest ranking Russian official to visit China in 17 years. Arkhipov is ostensibly there for acupuncture treatment, but diplomats wonder whether China's leaders are not also running their hands over some of the sore points in Sino-Soviet relations. For it is now clear that what is underway is the most determined attempt by the Soviet Union to improve relations with China since the momentous split in 1960 which had such far-reaching consequences, both for the communist world and the West.

The two sides opened talks on normalising their political ties back in 1982 but Mikhail Gorbachev's speech in the far eastern port of Vladivostock on 28th July this year, represented a big step forward, in tone if not in substance, over previous rather grudging efforts by both sides. China's response to the Vladivostock speech, although guarded, has been positive. Chinese officials have, predictably, said that Gorbachev's offer to withdraw six regiments from Afghanistan, remove some troops from Mongolia and accept China's territorial claims along the Amur and Ussuri rivers on their common border, are not enough. But for the first time in four years, Peking has betrayed a flicker of genuine interest.

Wider strategy. Gorbachev's China gambit is given added weight by the fact that it is only the centrepiece of a wider strategy apparently aimed at improving Moscow's standing throughout Asia, after a quarter of a century of neglect and decline. The Russian military build-up in Asia over the past decade has not been matched by a corresponding political effort to allay regional concerns. By the time Gorbachev had penetrated the Kremlin's inner circle in the late seventies, Soviet influence in Asia was at its lowest ebb for two decades.

Japan, China and the US had joined in a loose but potentially hostile anti-Soviet alliance; Washington's position in the Pacific appeared unassailable and Moscow's backing for Vietnam was viewed with growing unease by the non-communist nations of South-east Asia. The Soviet Union's invasion of Afghanistan in 1979 only confirmed its

The ups and downs

1945 Russian army hands over military stores captured from the Japanese to Chinese communist forces under Mao Tse-Tung.

1949 Nationalist forces defeated and People's Republic proclaimed.

1950 Sino-Soviet Treaty of Friendship and Alliance signed although Mao resists Soviet efforts to draw China into Moscow's orbit.

1960 Soviet Union withdraws all aid and advisers from China following growing tension between the two communist powers.

1969-70 Border clashes between the two across the Amur and Ussuri rivers.

1972 US President Richard Nixon visits Peking.

1978 Treaty of Peace and Friendship between US and China marks full normalisation of relations.

1978 Vietnam invades Kampuchea overthrowing Chinese-backed regime.

1979 Soviet forces invade and occupy Afghanistan.

1982 Talks on normalising relations between Peking and Moscow begin.

28th July 1986 Mikhail Gorbachev launches his ostpolitik in Vladivostock.

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mage as a predatory force.

Gorbachev appears determined to reverse this trend and re-establish the Soviet Union as an Asian power of the first order. He wants to harness Japan's technology to help his modernisation effort, neutralise Moscow's eastern flank by healing the rift with China and project the US as the hostile power in the region. Under Gorbachev, the Soviet diplomatic machinery has undergone a thorough overhaul that has forced the foreign ministry to ditch its Czarist-era divisions of the world and reorganise to improve its response to the demands of international diplomacy. The shake-up has particularly affected Asia, an area much ignored during Andrei Gromyko's 28 years as foreign minister.

If the recent Soviet overture leads to a breakthrough in the dialogue with China, there could be important ramifications for the US. The impact, however, may not be as dramatic as some people imagine. The Sino-Soviet cold war began in 1960 when Nikita Khrushchev pulled his country's advisers out of China. After erupting in 1969 into fighting along the Ussuri River, the two sides then settled down to verbal hostilities. It is a dispute which has undoubtedly served the interests of the US well.

Currying favour. For example, in the seventies when both communist super powers were eager to curry favour with Washington, the US established relations with China, at the same time striking the SALT - I agreement with Moscow. The Soviet Union was anxious to reach an understanding with Washington because it feared that China would strike its own strategic alliance with the US. China, on the other hand, saw Moscow as its main threat and so was keen to establish ties with America.

Since then however, China's leader Deng Xiaoping, has made it clear that there are limit to the warmth of its relationship with Washington, adopting a pragmatic and more even-handed foreign policy to complement his modernisation drive. The notion of a strategic or military alliance with Washington has been firmly ruled out, much to President Reagan's chagrin—opening the door for closer ties with Moscow. By the same token, the Soviet Union probably appreciates that diplomatic gains to be made through cultivating China will be limited by Peking's reluctance to shift too far into its corner either. Its most advantageous position is to be wooed by both.

The omens for greater economic cooperation are more positive. Soviet foreign trade has been very badly hit by the fall in the price of oil, on which Moscow depends for 60% of its exports. It cannot make up these losses by increased manufactured exports to the West, but machinery which will not sell in West Germany may find a market in China.

Significantly, the Soviet media has recently described China's experiments with economic pragmatism in positive terms. Soviet officials have been speaking of the economic advantages of improving relations, pointing to a 64% rise in bilateral trade last year. Conversely, China may benefit economically from closer links with the Soviet Union where it will find a market for its growing consumer goods and textile industries. As if to underline the economic dimension of the *rapprochement* Nikolai Talyzin, the chairman of the Soviet state planning commission, is to visit Peking shortly.

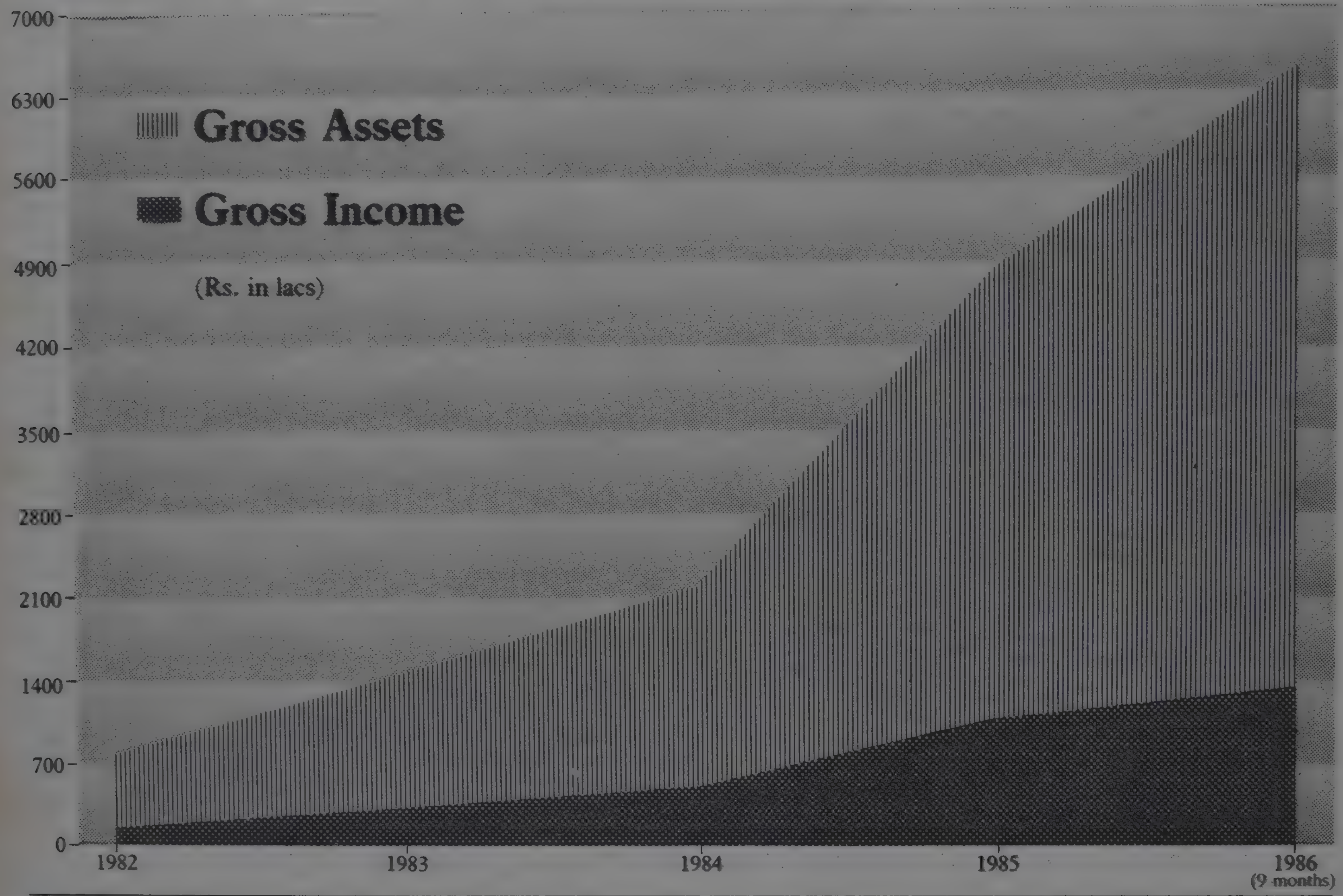
Deng Xiaoping: limits to the warmth of relationship with Washington

Gorbachev: Asian ambitions

But the most important change in the relationship between Peking and Moscow is neither diplomatic nor economic. At the heart of the 25 year split between the two communist rivals was ideology and it is this ideological division which is now coming to an end. Under Mao Tse Tung, each side denounced the other as a heretic from the true Marxist faith. The fundamental shift towards economic pragmatism in China and away from world revolution has narrowed the ideological differences. Gorbachev and Deng Xiaoping may still disagree on specific issues but in general, they probably see the world in much the same way.

Progress blocked. Despite any ideological *rapprochement* progress in the Sino-Soviet normalisation talks have so far remained blocked by China's objections to Soviet troops massed on their common border, Moscow's presence in Afghanistan and the role played by Soviet ally Vietnam in Kampuchea. Last month's speech indicated a Soviet

20th Century imparts to growth a new dimension



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Networth	121.05	268.08	348.60	1062.10	1336.60
Gross Assets	745.70	1423.24	2181.35	4851.44	6509.27
Dividend	12.60	17.85	27.30	89.61	67.36
Dividend (%)	18	21	21	27	16 (Interim)

* Firm estimates for the 9 month period.

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willingness to budge on two of the above issues. Gorbachev proposed talks with Peking on reducing the estimated 1 million Soviet troops on the Sino-Soviet border and sweetened that offer with the disclosure that some of the Kremlin's estimated 25,000 soldiers in Mongolia might soon return to Soviet soil.

On Afghanistan, Gorbachev said he would withdraw six Soviet divisions this year. Undoubtedly aware that this will not satisfy China's demand for a total pull-out, he seemed to hope it would be seen as a goodwill gesture. Its limited scope clearly implied, however, that Gorbachev will not risk the Soviet position in Afghanistan for something so tentative as friendship with a China whose eyes are at least half-turned to the US.

Similarly even if it was possible to persuade the dogged Vietnamese to leave Kampuchea, the Soviets are unlikely to risk their alliance with Vietnam and its valuable warm-water ports by leaning on Hanoi to withdraw. As one Western diplomat summed up Gorbachev's courtship of Peking, the Soviets are showing a little ankle, and hoping it will get the Chinese to make some counter moves.

China, which is in the midst of major military reforms, would welcome any move that allows it to withdraw resources from the front line, particularly at a time when military facilities are being commandeered for economic reform. The West, on the other hand, would worry if Soviet troops and missiles currently deployed in Asia were merely to be redeployed against Europe or the oil-producing states of the Gulf.

Potentially significant. So while a major *rapprochement* may not yet be at hand between the Soviet Union and China, a potentially significant improvement in relations could be on the way. At the same time there are clear limits to the possibilities of progress—at least for the foreseeable future.

Deng Xiaoping has indicated that Peking will take several more years to make up its mind about Gorbachev's true character and intentions. But the Vladivostock speech has presented the Chinese with an awkward challenge. Even the sceptical Deng conceded that the proposals contained "some new elements." Whether he decides to take matters further will probably depend on Gorbachev's next move.

By FT correspondents in Moscow, Peking and London

(By special arrangement with the Financial Times, London)

LETTER FROM PORTUGAL

DIANA SMITH

One night's folly

In March 1975 Portuguese revolutionaries seized privately-owned banks, basic industry and commerce amounting to 53% of Portugal's gross fixed capital formation and dragged them into the public net, hoping to propel the country towards Soviet-style state capitalism. The revolution ended a few months later, but its legacy remains in a sector which has overburdened the taxpayer year after year while a succession of short-lived governments have tinkered with stop-gap solutions.

Governments have been hampered by the 1976 constitution and its 1982 revision which upholds 'revolutionary conquests' and bans privatisation. The constitution is due for another review in 1987, and only the communists believe it is not time to delete the ideological slant. Even the socialists, who as recently as 1982 insisted that "nobody lays a finger on the nationalised sector," now admit that Portugal cannot forever be held back by the voracious financing needs of uneconomic companies wallowing in debt.

Drained resources. Last year, according to finance ministry inspectors, 42 public sector companies, including big operators like EDP (electricity), CP (railways), TAP (airline), Siderurgia (steel) and CNP (petrochemicals) suffered operating losses of Es54 billion (Rs. 511 crores). There is one consolation: this was less than half the Es121 billion loss in 1984. But in the light of Portugal's modest 1985 gross domestic product of $22.5 billion (Rs. 27,000 crores), public sector losses have drained national resources.

> **'Even the socialists, who as recently as 1982 insisted that "nobody lays a finger on the nationalised sector," now admit that Portugal cannot forever be held back by the voracious financing needs of uneconomic companies wallowing in debt.'**

The companies have total assets of $15 billion and reserves of $48 billion and even the centre right Cavaco Silva government, which promised, like its predecessors, to streamline the public sector, is pumping in the equivalent of $500 million (Rs. 600 crores) in capital endowments and subsidies this year. But it has attempted some hybrid solutions.

The government published a decree-law extinguishing CNP, the petrochemicals company which managed to pile up a spectacular $1 billion debt in four years. But the law may result in the corporation being snuffed out while the petrochemicals plant itself soldiers on. With some public sector companies, the government plans to try another tack, i.e., turning them into publicly-limited companies subject to private sector criteria.

Studies are under way for transforming four of the worst-off nationalised banks—Uniao de Bancos Portugueses, Borges e Irmao, Fonsecas e Burnay and Totta e Acores—into companies in which other state-owned enterprises would hold equity, and where shareholders would elect the board rather than it being government-appointed. Not everyone believes that this solution, which may also be tried on non-financial public sector companies that could eventually be quoted on the stock exchange, will have much positive effect on grim financial records. The move can, however, be seen as an embryo of eventual privatisation.

Attractive perks. An endemic weakness in official resolve to radically prune the public sector is the habit governments have had of rewarding supporters with jobs as directors or managers. Salaries are modest by European standards but perks such as chauffeur-driven cars, expense account lunches and trips abroad, invitations to top functions and a sense of being on the inner fringe of power, have been attractive in this small self-conscious country.

Public sector managers would argue that it is difficult to be effective when ministers determined to make their mark cancel their predecessors' policies, cut off investment funds to be seen to be doing something, put friends onto boards, and then leave six months later. The public sector is marking time now, waiting for a decision on where it must go. It was created in only one night—14th March, 1975—but it will take years to disentangle the resulting problems.

GCEL

The other side of beautiful Nature isn't so beautiful.

Beautiful Nature. More than anything else. It has inspired poetry, paintings in this world. Unfortunately, there's more to nature than evocative daffodils and sundappled, placid rivers. Floods, for instance. And there's hardly anything poetic about floods. Or, artistic.

And if you've seen the ravages of floods only on TV, you're fortunate. Thousands of people weren't last year. They lost everything they had built up spending the best years of their life, to floods. Angry, flash floods.

And floods never announce themselves. They never will.

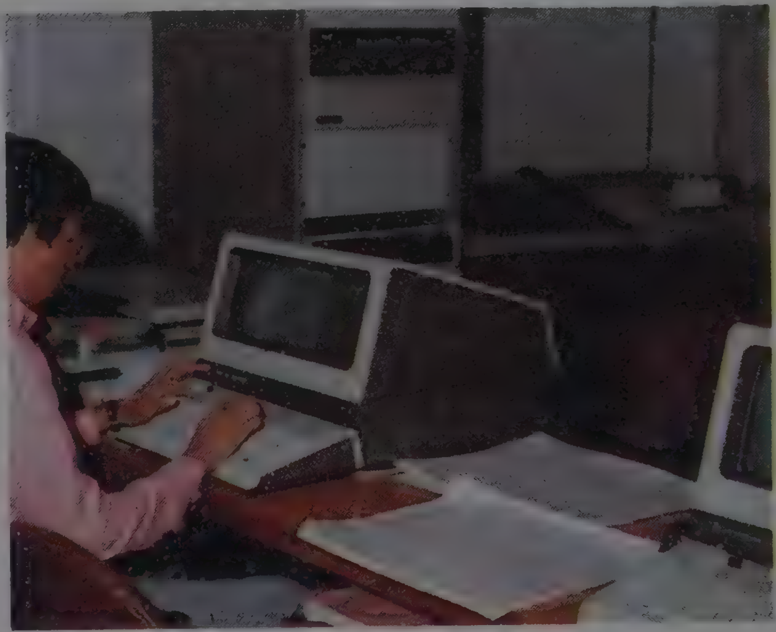
GCEL's Flood and Weather Forecast System.

And that's why at GCEL, we have devised a Flood Forecast System. And have installed it for the Central Water Commission in the flood-prone Yamuna River Basin. As a successful U.N.-aided project. The System keeps an alert eye on flood parameter, over a length of 400 kms. From the origin of Yamuna River to the Delhi bridge.

We have built a comprehensive Weather Forecast System too. That collects, collates, analyzes, and transmits data to various centres in the country. To keep a jump ahead of nature. To warn and save the maximum. So when we come to terms with nature, it's a little on our terms.

The Better Technology of GCEL

At Gujarat Communications and Electronics Ltd., our objectives are clear. And simple. Since 1975. That India's future is hi-tech. And every Indian should be part of it. Wherever he or she is in India. So at GCEL, we develop technology that's better and relevant. To help every Indian live a little better.



Flood Forecast System

GCEL

Gujarat Communications & Electronics Ltd.
Regd. Office: Third Floor, Anurag Commercial Centre,
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- Mastershare is offered for Rs 10 each at par. The minimum outlay required is just Rs 1000. There is no upper limit. Subscription is open from 19th September to 18th October 1986 only.
- Subscriptions to Mastershare totalling Rs 50 crores will be pooled and managed by the Mutual Fund division of UTI. Steering the Mutual Fund to success will be a special cell of investment managers with a fine track record. In addition there will be a special Advisory Board of experts.
- UTI themselves have an excellent record of managing efficiently over Rs 3200 crores in investments, including equity shares.
- After close of subscription, Mastershare can be traded on all the stock exchanges in the country, ensuring easy liquidity.
- The net asset value of all the shares held by the Fund will be publicised every week and will reflect the market price of your own Mastershare.
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WEST GERMANY

Big three disappoint

West Germany's 'big hree' companies—Hoechst, Bayer and BASF—have all eported disappointing results in the first half of this ear.

Hoechst, the pharmaceuticals giant, recorded a 2% drop in its worldwide roup sales turnover at DM 9.56 billion (Rs. 11,400 rores) *cf*. DM 22.21 billion the corresponding period ast year, while pre-tax profit vas 1% lower at DM 1.63 illion. The company's foregn subsidiaries in particular id not fare well with overeas sales dropping by 15.4% o DM 14.17 billion.

Bayer, another well-nown pharmaceutical multiational also suffered a 12% rop in sales to $10.56 billion Rs. 12,672 crores) while rofit rose marginally by .9% to $85.6 million during he period.

BASF, the electronics conglomerate which also has inerests in the oil and gas ectors, experienced a 5.3% all in sales to DM 22.72 bilion in the first half of the current year and a sharp fall n profit by 19.1% to DM 1.39 billion (Rs. 834 crores).

All these companies attributed their significant losses to the drop in the exchange rate of the dollar relative to the deustche mark ($1 = DM2).

AUTOMOBILES

GM-Volvo tie-up

■ Volvo (sales: $10 billion in 1985) and the US-based General Motors (GM—sales: $96 billion in 1985) signed a memorandum last month to merge their heavy truck operations to improve their joint share of the North American market for heavy commercial vehicles. Under the terms of the agreement, Volvo will have majority ownership (65%) of a proposed new company and retain operational control. GM will pay $50-75 million for its 35% shareholding. The deal will be beneficial to both companies—to GM, as it has lost a substantial portion of its market share in the US and would have had to invest heavily in upgrading its 12 year old uncompetitive truck models. Volvo managers expect to double their company's share of the truck market in North America.

Volvo is currently the third largest heavy commercial truck manufacturer in the world (after West Germany's Daimler-Benz and France's Renault/Mack).

AVIATION

Rolls-Royce's new order

■ The UK-based state-owned Rolls-Royce Ltd. (R-R — sales: $1.88 billion or Rs. 2,257 crores in 1985) has finally won an order worth well over £600 million to supply engines for 16 Jumbo jets ordered by the recently denationalised British Airways. The company's tender has been accepted in the teeth of competition from the US-based General Electric and Pratt & Whitney.

British government spokesmen insist that this arrangement had been made solely on commercial considerations—no political pressure was exerted on the British Airways management. However, government ministers are relieved that the decision has gone in favour of R-R as they had expected a big political row if a US engine manufacturer had been chosen.

JAPAN

Toyota's profit crunch

■ The rise in the value of the yen vis-a-vis the dollar has battered the bottomline of Japan's Toyota Motor Corporation in the company's year ended 30th June 1986. Despite a 4% rise in sales turnover to Y 6.31 trillion (Rs. 51,490 crores), the company reported a 17% drop in its unconsolidated net income (i.e. net profit) to Y 255.18 billion (Rs. 2,082 crores)—the first profit decline in five years.

The rise in the value of the yen combined with a slump in demand in West Asia, South-east Asia and China, "severely pressured" the company's bottomline, says a Toyota press communique.

BRITAIN

Jaguar's sales leap

■ Jaguar, the UK (Coventry)-based luxury car manufacturing company which was denationalised two years ago has recorded expectedly improved financial results in the first half of the current year. Sales at £426.2 million (Rs. 789 crores) were 6% higher than in the corresponding period last year, while net profit at £45.1 million is 9% higher. The company is all set to launch its new car, the XJ40 saloon, and expects a good market response to it.

The improved results were achieved despite currency fluctuations, and despite the fact that 65% of Jaguar's sales are in the US. The company is optimistic of a better performance during the latter half of this year, and is turning its attention to Japan, where it plans to step up its marketing drive.

AUSTRALIA

Austerity measures

■ Budgetary considerations i.e. lack of money, has reportedly forced the Australian government to pull out of a joint military exercise with the US scheduled in September. In its annual budget presented to Parliament in late August, the Australian Labour government has listed a number of ruthless cuts in spending to reduce the Australian deficit from a projected A$7.5 billion to A$3.5 billion (Rs 2,616 crores). In the fiscal year 1985-86, the budgetary deficit was A$5.7 billion.

The Australian economy is under severe strain because of adverse terms of trade and plunging commodity prices. One of the recommended cuts is an A$3 billion reduction in an area formerly considered sacrosanct: social welfare spending. Revenue increases are expected from the raising of taxes which will yield A$1.5 billion. A wide range of luxury goods and facilities—wine, cars and swimming pools among them—have also attracted additional taxation. "This budget is not for wimps," asserted Treasurer Paul Keating while presenting it to parliament.

BANKING & FINANCE

China Syndrome

■ Britain's Lloyds Bank plc (assets: $50.96 billion or Rs. 61,152 crores in 1984) has drastically reduced its presence in China in response to a hostile lending climate which is a direct result of Peking's decision to consolidate China's economy over the next two years. The Chinese government has adopted a policy of giving non-loan projects i.e., projects funded by generated profits, priority. This shift in policy has heavily clouded foreign banks' business prospects in that country.

Lloyds reportedly began trimming its China operations soon after its July 1985 merger with its Hong Kong-based subsidiary, Lloyds Bank International, which formerly controlled Lloyds Bank's China division. Although Lloyds' response to the Deng administration's policy turnabout is extreme, 73 other foreign banks have also reportedly put a freeze on employment of staff in their China divisions.

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Luxol Silk. Choose from over forty shades of silk.
d from a whole new range of whites that whisper.

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Luxol Silk

BERGER

COLOUR-CHEM

Out of the dumps

Colour-Chem Ltd., the well-known manufacturer of dyestuffs and chemicals which had been experiencing hard times for the last four years, seems to have finally turned the corner. The current year ending 31st March 1987 is likely to be a good one for the company.

Liberal imports of several synthetic organic dyestuffs and leather chemicals; stiff competition from small-scale sector units and the unprecedented depression in the textile industry in the early eighties were factors which had combined to squeeze the company's profit margins inexorably. Now the situation is changing for the better on all the three fronts.

As a result of these developments, the company is doing well in the current year with the actual sales in the first four month period (April to July 1986), 20% higher than in the corresponding period last year. The outlook for the remaining eight month period is even more promising as outflows from the Rs. 750 crore modernisation fund for the textile industry into related industries gather momentum. Again the company's new plant for the manufacture of meta phenoxy benzaldehyde (MPB), an import substitution product, has gone on stream last year and its contribution to sales and profitability is likely to be reflected in the current year's balance sheet.

Consequently, the indications are that the total sales turnover of the company will be around Rs. 85 crores this year *cf.* Rs. 68 crores in the year ending 31st March 1986 with a corresponding improvement in profitability. Shareholders can certainly expect a higher dividend than the 14% paid last year.

SUNDARAM CLAYTON

Ambitious growth plans

Sundaram Clayton Ltd., the widely diversified Madras-based TVS group company which is engaged in the manufacture of air resistance brakes, railway signalling systems, automotive two-wheelers, chemicals and electronics, is implementing ambitious growth plans which will involve a total outlay estimated at Rs. 50 crores.

The company is planning to set up a Rs. 31 crore plant at Pondicherry for the manufacture of equipment for laundry washing, cooking, waste disposal systems, refrigerators and spare compressors. A well-known American company has been selected for technical tie-up purposes.

The company also proposes to set up a Rs. 15 crore plant in Bangalore for the manufacture of UPS and SMPS system in technical collaboration with another well-known American firm. In addition, plans have also been drawn up for setting up a plant at Hosur, Tamil Nadu, for the manufacture of computer peripherals in collaboration with a Japanese company and for the manufacture of industrial pneumatic equipment in a technical tie-up with Wabco, West Germany.

Meanwhile, the company has fared well in its year ended 31st May 1986 with the total turnover advancing to Rs. 91 crores. This is expected to cross the Rs. 200 crore mark within the next three years.

AHMEDABAD ELECTRICITY

Improved prospects

In the wake of the sea change in the government's policy in relation to private sector participation in the power generation sector, the business prospects of the Ahmedabad Electricity Co. Ltd., have improved considerably.

In a quick response to this policy shift, the Gujarat government has invited the company to set up a joint sector power project in the state with an initial capacity of 500 Mw. A new company will soon be promoted to implement this project.

Meanwhile, the civil construction work for the company's 110 Mw 'F' station expansion has already commenced. The Rs. 127 crore project is likely to be commissioned by the end of 1988. With the commissioning of this station, the installed capacity of the Sabarmati power station will expand to 460 Mw.

The reopening of several textile mills in Ahmedabad which had suspended operations also augurs well for the company's performance in the current year. The management also hopes to recover the outstanding arrears of Rs. 3 crores from these mills in the coming months.

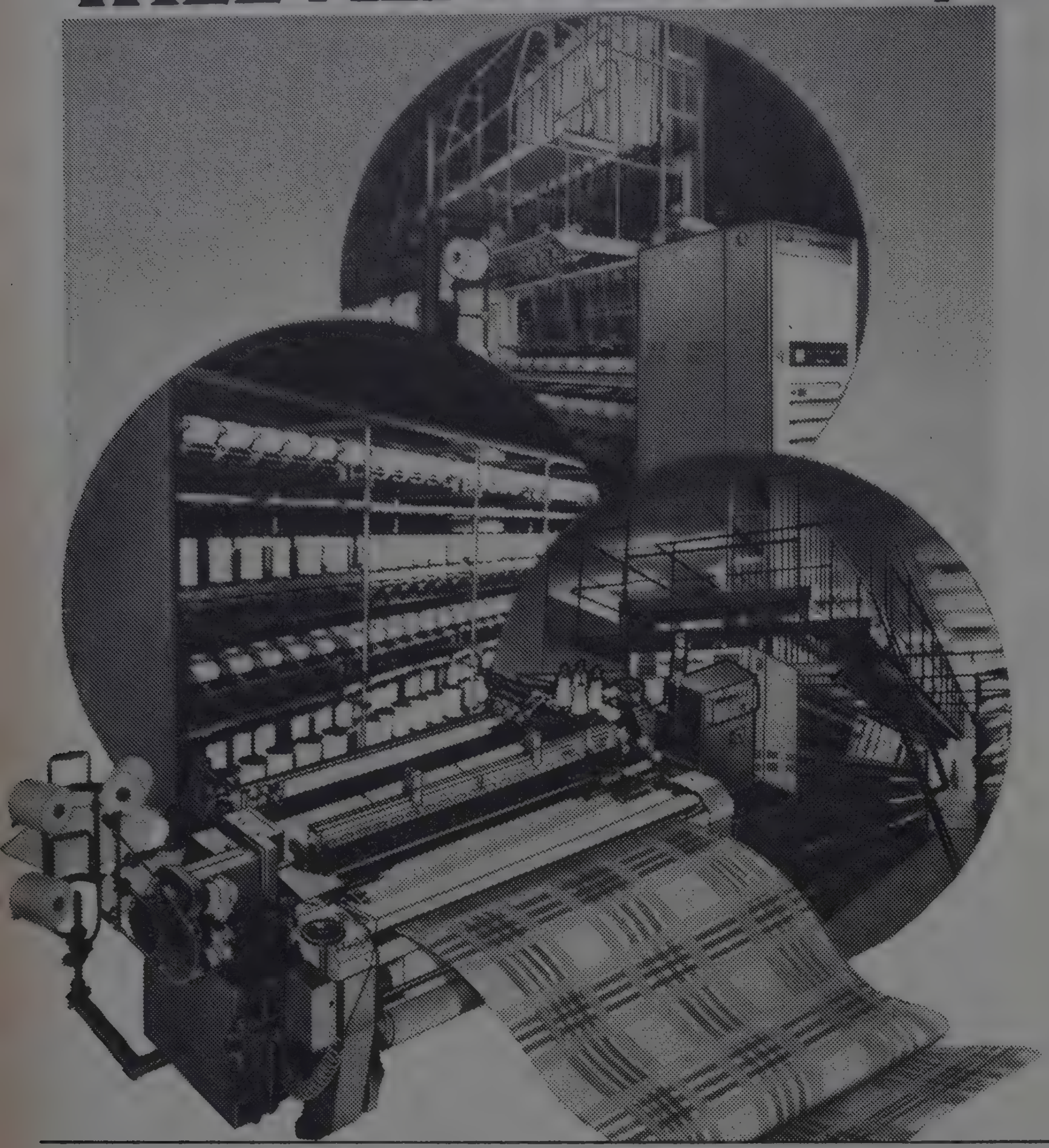
In view of all these factors, the company's total income is expected to cross the Rs. 200 crore mark in the current year ending on 31st March 1987.

Companies this fortnight

(Rs. crores)

	Ahmedabad Electrictity			Sundaram Clayton			Colour-Chem		
	1984	1985	1986	1983	1984	1985	1984	1985	1986
	(year ending 31st March)			(year ending 31st May)			(year ending 31st March)		
Sales	130.72	139.12	153.10	42.39	52.17	68.55	55.76	63.66	67.87
Gross profit	9.77	9.18	14.99	4.60	5.28	8.59	4.33	4.80	4.87
Paid-up capital	16.64	16.75	16.75	4.55	5.69	5.69	7.94	7.94	7.94
Reserves	43.93	48.56	56.47	8.13	11.38	15.26	7.91	8.17	8.88
Gross fixed assets	175.14	203.56	217.75	21.55	27.96	32.33	37.47	39.74	42.61
Dividend (%)	16.00	16.00	16.00	20.00	20.00	25.00	10.00	12.00	14.00
Earnings per share (Rs.)	31.59	28.94	35.63	6.30	5.60	7.20	11.08	14.47	18.30
Paid-up value (Rs.)	100.00	100.00	100.00	10.00	10.00	10.00	100.00	100.00	100.00
Market price as on 3rd September 1986 (Rs.)			132.50			80.00			242.50

PARASRAMPURIA'S
PLANT AT DADRA & NAGAR HAVELI
WILL MEAN BIGGER, FASTER PROFITS



PARASRAMPURIA CAPITOL INDUSTRIALS LTD., a Company setting up a texturising, twisting project and having diverse activities is a second Company promoted within 12 months by the House of Parasrampurias. This Company will texturise the POY Yarn manufactured by '**PARASRAMPURIA SYNTHETICS LTD.**' (PSL) and others. PSL has already achieved 100% capacity utilisation and a turnover of Rs. 3.5 crores per month. PSL's creditable performance is reflected in its Rs. 10/- share price ranging between Rs. 30/- & Rs. 35/-.

The Texturising plant is manufactured using technology from SCRAGG (U.K.), with a capacity of 1000 tonnes per annum valued annually at Rs. 20 crores. The Company's texturising plant is expected to be delivered by November end and the plant will go into **Production by February, 1987**

The Union Territory of Dadra & Nagar Haveli was selected as the project site because it offers maximum incentives amongst all backward areas. The financial incentives include besides a backward area subsidy amounting to Rs. 25 lakhs, exemption from 4.4% sales tax and 1 ½% octroi duty giving an extra annual gain of Rs. 85 lakhs in addition to normal profits.

Within 12 months the Company plans to double the capacity of Texturising and Twisting project and to set up 100 air jet and water jet Sulzer looms to manufacture Suitings & Shirtings of International quality and processing plant to process fabrics. Afte setting up the looms, Parasrampuria Group will have facilities of an integrated textile plant namely Polycondensation, manufacturing of filament yearn, texturising & twisting of fabrics and processing. The Group is also considering to enter other profitable areas such as Petrochemicals, Electronics etc.

HIGHLIGHTS

PUBLIC ISSUE OF 21,00,000 EQUITY SHARES OF Rs. 10/- EACH FOR CASH AT PAR.

- **Promoters — The House of Parasrampurias is in business for 120 years having established records in commodity and bullion trading, construction and housing colonies, exports and industry.**
- **Public Issue of 'Parasrampuria Synthetics Ltd.', a company promoted by this House, was over subscribed 67 times and Rs. 10/- share is regularly traded between Rs. 30/- and Rs. 35/-.**
- **Texturising & Twisting Project with equipment manufactured in collaboration with SCRAGG (U.K.)**
  — Second promotion by House of Parasrampurias in 12 months.
- **Most advantageous location: Dadra & Nagar Haveli.**
  — Total Exemption from Central Sales Tax.
  — Exemption from State Sales Tax for 15 years.
  — Savings in taxes mean extra
  — profit of Rs. 85 lakhs per
  — annum amounting to Rs. 12.75
  — crores in 15 years.
  — Backward area subsidy of Rs. 25 lakhs.
  — Close to Surat, Bhiwandi and Bombay consuming 80% of the country's production.
- **Highly profitable construction projects in progress and promoters' rich experience in the field are already generating profits.**
  — Guaranteed dividend of 18%
  — minimum in the very first year
  — ending on 30th September,
  — 1987.
- **Vertical Integration by setting up 100 most modern Water-Jet looms and Air-Jet looms to produce high quality fabrics within 12 months.**
- **Usual Income Tax and Wealth Tax benefits.**
- **Listing: Delhi, Bombay, Ahmedabad and Mangalore Stock Exchanges.**

PARASRAMPURIA CAPITOL INDUSTRIALS LIMITED

A texturising and twisting project.

Regd. Office: 204, Surya Mansion, 1-Kaushalya Park,
Hauz Khas, New Delhi 110 016.

Managers to the Issue

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Merchant Banking Bureau
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11-Tostoy Marg
New Delhi 110 001

ENAM Enam
Financial
Consultants
Pvt. Ltd.
113 Stock Exchange Towers
1st Floor, Dalal Street
Bombay 400 023

Co-Managers to the Issue

State Bank of
Bikaner & Jaipur
Merchant Banking Bur
4 90 Connaught Circus
New Delhi 110 001

Equity Issue Opens on:
23rd September, 1986

DFC

Growth plans

The Housing Development Finance Corporation (HDFC) has declared s financial results for the year ending 0th June 1986. Total loans sanctioned nd disbursed in 1985-86 aggregated to Rs. 186.4 and Rs. 145.7 crores espectively, *cf.* Rs. 134.6 crores and Rs. 93.2 crores in the previous year, while pre-tax profit rose from Rs. 7.4 rores to Rs. 9.3 crores. The board of irectors has recommended a dividend f 15% (*cf.* 13% in 1984-85).

The company recently inaugurated wo offices at Bhubaneshwar and Guwahati to serve the states of Orissa nd Assam. In view of its growth and xpansion, the company plans to enter he capital market to raise Rs. 10 crores y way of a public issue.

PEICO ELECTRONICS

New project

The Bombay-based Peico Electronics & Electricals Ltd., manufacturer of ight fittings and music equipment (net ales: Rs. 256.23 crores in the year nded 31st December 1985) has eceived a letter of intent for the nanufacture of colour television sets. The company plans to implement the roject in its new factory situated at Salt Lake in Calcutta.

ENFIELD GROUP

Diversification activities

The Madras-based Enfield group (sales: about Rs. 70 crores in 1985) which manufactures the well-known Enfield motorcycles, is diversifying its activities into the field of electronics. A new company, nomenclatured Enfield Electronics Ltd. (EEL) has been registered, which will manufacture consumer durables such as televisions, video recorders and players, audio equipment, microwave ovens, washing machines, etc. at the company's new Ranipet (Tamil Nadu) factory.

Production will begin as soon as government sanctions are obtained. Trial production is expected to commence from this month and EEL hopes to achieve a turnover of Rs. 20 crores within the first three years. The company will also be entering the capital market this month with a public issue of 6,00,000 shares of Rs. 10 each at par.

PREMIER AUTOMOBILES

Bonus issue

Premier Automobiles Ltd. (PAL), the well-known Bombay-based automobile manufacturer, has recorded improved financial results for the year ended 30th June 1986. Sales turnover at Rs. 240.84 crores was higher than the Rs. 216.61 crores recorded in the previous year, while net profit was 14% higher at Rs. 11.45 crores. The board of directors has recommended an increased dividend of 25% (*cf.* last year's 21%) to its shareholders, along with a 1:1 bonus issue and a 1:3 rights issue on the expanded capital base consequent to the bonus issue.

PAL plans an investment of Rs. 100-150 crores to be raised through borrowings and internal resource generation for the company's modernisation, indigenisation and quality upgradation projects.

INDIAN HOTELS

Increased sales

The Indian Hotels Co. Ltd., more popularly known as the Taj group, has declared improved financial results for the year ended 31st March 1986. Sales turnover climbed to Rs. 78.48 crores, *cf.* Rs. 65.50 crores in 1984-85, but net profit after tax was lower at Rs. 4.11 crores *cf.* Rs. 5.48 crores in the corresponding period last year. The board of directors has declared a dividend of 25% for its existing shareholders (the same as that declared last year) and a dividend of 16% for shares issued on 1st August 1985.

The company plans to make a rights issue of 16,85,000 secured convertible debentures of Rs. 135 in the near future. The sum of Rs. 22.80 crores proposed to be raised through the rights issue will be utilised to part finance the building of several new hotels.

STEEL TUBES

Satisfying growth

The largest precision steel tube manufacturer in India, the Dewas (Madhya Pradesh)-based Steel Tubes of India Ltd. has recorded a satisfying 27% growth rate in its year ended 30th June 1986.

The company's sales turnover touched an all time high of Rs. 31.14 crores (*cf.* Rs. 24.33 crores in 1984-85) while pre-tax profit at Rs. 1.20 crores (*cf.* Rs. 1.07 crores) was 12% higher. Consequently the company's board of directors has recommended a dividend of 19%, 1% higher than 1984-85 on the larger capital base of the company which was enhanced by the allotment of shares on a rights basis and the part conversion of debentures allotted to the Unit Trust of India.

LINTAS: INDIA

Award bonanza

Lintas: India, the Bombay-based advertising agency (billings: Rs.25.1 crores in the year ended 31st December 1985) recently had much cause for celebration. The agency's public service film on handicapped

Some forthcoming public issues

Company	Type	Date	Issue size (Rs.crores)	Purpose
Tamilnadu Petroproducts	E	18th September	19.00	To part finance the project
Quick Starter	E	18th September	0.43	Modernisation and expansion
India Nippon	E	18th September	0.43	To part finance the project
Hemkunt Timbers	E	20th September	0.41	Long term working capital
Parasrampuria Capitol	E	23rd September	2.10	Long term working capital
First Leasing	CD	22nd September	6.00	Expansion and diversification
GVK Hotels	E	15th October	2.30	To part finance the project
Paam Pharma	E	6th October	0.70	Expansion and modernisation

E = Equity shares, CD = Convertible Debentures

We took the bite out of computers

For most people computers are still engimatic, expensive, inaccessible pieces of equipment.

Because they were made so. By people who took pleasure in shrouding this wonder tool in a fog of high-flying jargon and incomprehensible technical mumbo-jumbo.

Eiko's approach in refreshing contrast was one aimed at demystifying computers. In a market where others use standardised components and speak of identical hardware/software options, Eiko has been speaking the language of the user, minus the technical jargon, and helping him to tackle down-to-earth tasks like designing a file, creating a data base or operating a spread sheet.

Now after thousands of installations spread across the length and breath of the country, and across wide user segments, Eiko's priorities are still the same.

And it's not just making computers. It is bringing the benefits of computerisation within everybody's reach.

Eiko is one of the few Computer Companies to offer products to suit the varying individual requirements and budgets. The Eiko range extends from a Home Computer to a Multiuser EIKO PC/AT. The prices of typical configurations are given below:-

	Rs.
EIKO Primer *with interfaces for TV/Cassette and Printer*	*6,000/-*
EIKO Word Processor *with full screen display and Daisy Wheel Printer*	*24,300/-*
Eiko PC JR. – *Z 80A CPU, 64 KB RAM 3½" Floppy Drive (400 KB) & Monitor*	*20,500/-*
EIKO II – *Z 80A CPU, 64 KB RAM Two Floppy Drives of 800 KB each & Monitor*	*30,000/-*
EIKO PC/XT – *8088 CPU, 256 KB RAM 360 KB Floppy Drive, 10 MB Hard Disk Drive & Monitor*	*51,500/-*
EIKO PC/AT – *80286 CPU, 1 MB RAM, 1.2 MB Floppy Drive, 20 MB Hard Disk Drive & Monitor*	*1,25,000/-*

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children, 'The Story of Hope' produced by FAR Productions was voted into the Clio Hall of Fame, the ultimate accolade for the work of advertising agencies worldwide. Lintas: India is the first Indian agency to be so honoured. The agency also picked up a certificate of merit at the Clio Awards for its press advertisement of Cadbury's Krisp chocolate.

Hard on the heels of the Clio triumphs came the National Award presented at the 33rd International Advertising Film Festival at Cannes, France, for the agency's commercial for Cherry Blossom shoe polish 'Keeping A Date,' produced by the agency's Calcutta branch.

TOMCO

Dismal results

Tata Oil Mills Co. Ltd. (TOMCO) has declared dismal financial results for the year ended 31st March 1986. Sales at Rs. 19.67 crores were lower compared to Rs. 20.36 crores recorded in the previous year. Profit plummetted 92% from Rs. 5.01 crores to the almost rock-bottom level of Rs. 0.39 crores. This poor showing notwithstanding, the directors have recommended a dividend of 11% to the company's shareholders.

RUCHI SOYA

Encouraging performance

The Bombay-based Ruchi Soya Industries Ltd, manufacturers of textured soya protein nuggets and granules marketed under the brand name Nutrela and the newly-launched ultra refined prime soya bean oil (Soyumm), is poised to overtake its Rs. 4 crores sales and export targets in its year ending 31st December 1986. The company's encouraging performance in the current year has led to a revised estimate of a sales and export target of Rs. 6 crores for 1986.

The company's management has now formulated a plan to expand its base by setting up another unit in Madhya Pradesh to manufacture speciality soya products and soya-based ready-to-eat snack foods for which the plant and machinery is to be imported. The project is proposed to be financed by internal accruals, term loans from banks and the issue of convertible debentures on a rights basis.

PEOPLE & PLACEMENTS

ARMAND DE BOYSSON has been appointed deputy manager, India, of Banque Nationale de Paris, Bombay

N.K. SWAIKA has been elected deputy chairman, Vanaspati Manufacturers' Association of India, New Delhi

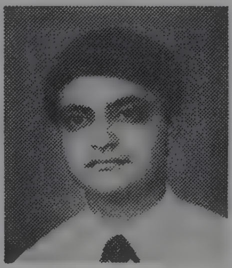
D.R. MEHTA has been appointed president of Wiltech India Ltd., Bombay

B.N. BHATTACHERJEE has been elected president, Bengal National Chamber of Commerce & Industry for 1986-87, Calcutta

G.R. KHANNA has been promoted to vice president (coordination), Blue Star Ltd., New Delhi

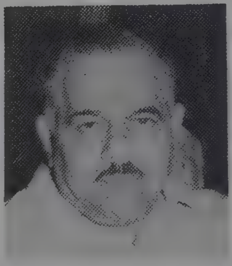
SATISH KUMAR MODI has been elected chairman, Indian Cotton Mills' Federation, Bombay, for 1986-87

SANJEEV APTE has been appointed managing director, AEC (India) Ltd., Bombay



N. SREENIVASAN has been elected vice chairman, Institute of Cost & Works Accountants of India, Western India Regional Council, Bombay

P.S.V. MALLYA has been appointed chairman and managing director, Syndicate Bank, Bangalore



ANIL B. GORADIA has been elected president, All India Plastics Manufacturers' Association, Bombay

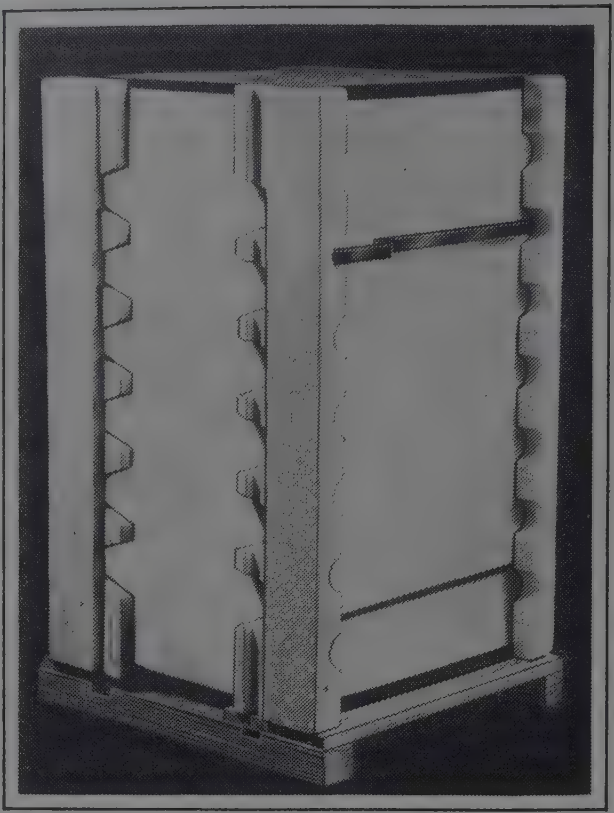
S.A. KAMATH has been promoted to general manager, Union Bank of India, Bombay

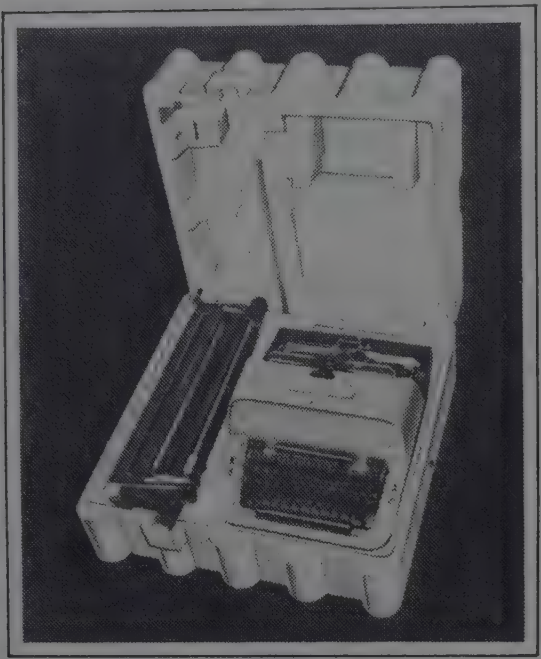
K.L. NARASIMHAN has been appointed vice president (commercial) of Guardian Papers Ltd., Hyderabad

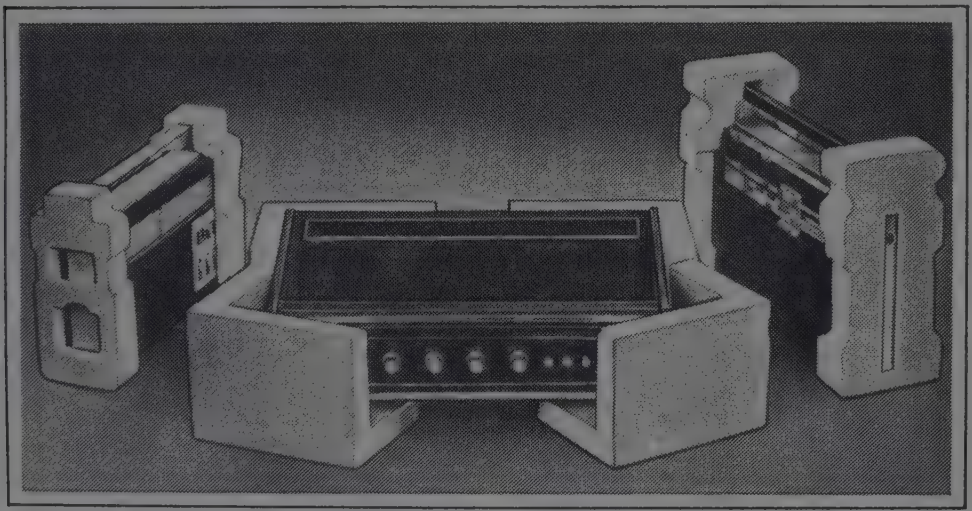
A.P. KHEMKA has also been promoted to general manager, Union Bank of India, Bombay

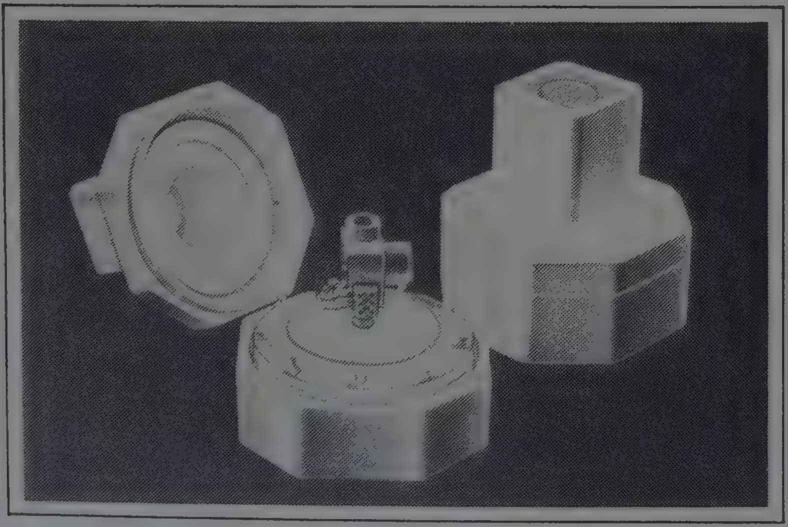
K.D. SINGHEE has been elected vice president, Roller Flour Mills Federation of India, Bombay, for 1986-87

Looks good-
performs
better-









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BusinessWorld
September 15—28, 1986

Bullish bullion prospects

Early this year (*BW* January 6-19, p.83) I had reviewed gold and silver price trends as these commodities had suffered sharp and sudden falls in value in the domestic market at that time. The decline in bullion values then was particularly disturbing, because it had occurred at the start of the peak season, traditionally after Divali. Nevertheless I had predicted that gold and silver were certain to appreciate and record higher prices this year.

The next Divali is still some time away, as it is due to fall on 31st October. But gold prices have already established a new all time high of Rs. 2,255 per 10 gm *cf.* Rs. 2,030 on 3rd February. Silver too has appreciated to Rs. 4,237 per kg from Rs. 3,899 on 7th February. The latest market quotations in Bombay on 5th September are somewhat lower at Rs. 2,225 for gold and Rs. 4,151 for silver. But as Divali approaches, their prices are almost certain to rise with the increased demand in the festive season.

But the bullish trend in bullion prices this year needs to be examined in another context. A fundamental change has taken place in the supply situation of these precious metals. In response to traders' demand for the import of gold into the country, on 28th August the Union government announced the facility of advance licences for the import of this precious metal by exporters of gold jewellery. This does not mean that the ban on gold imports into India has been lifted as yet. But the decision to issue licences to import this metal to exporters of jewellery in advance of their making exports, while ensuring timely availability of supplies, will ease the demand pressure for the yellow metal in this country during the forthcoming peak period.

Peculiar phenomenon. At the same time, supplies of silver in India are now being augmented by contraband imports of this metal into the country. This is a peculiar phenomenon because India has traditionally been a major exporter of silver to the world market, although this too was mainly by way of illegal exports by smugglers. Whereas hitherto smugglers had been offloading silver to facilitate the import of gold and luxury goods, they are now clandestinely importing both these precious metals into this country.

This represents a virtual sea change in the demand and supply situation of gold and silver in the country. In the light of this changed situation, what are the chances that precious metals will continue to appreciate in value in the domestic market as they have unfailingly done year after year?

To answer this question, one must examine the reason why, from being an exporter of silver, India has emerged as a major importer of this precious commodity. The primary reason is the advantage in price. Illegal imports of gold into India have remained unarrested, because gold in this country has invariably commanded a premium over the international price. Now silver, too, is priced in the domestic market at a premium.

The gap has widened because while silver has recorded a further rise in value during this year in Indian markets, this metal has suffered a further fall in price in the international market. The current year has witnessed an erosion in the value of silver in the international market from $6.50 to $4.98 per troy ounce. With the price of silver abroad declining to this extent, it is no longer remunerative for smugglers to tranship silver to finance the import of gold, and the contraband two way traffic has now changed in favour of the import of both the precious metals.

> **'A fundamental change has taken place in the supply situation of these precious metals. In response to traders' demand for the import of gold into the country, on 28th August the Union government announced the facility of advance licences for the import of this precious metal by exporters of gold jewellery'**

For how long the demand for silver will persist in the domestic market will depend on how soon the price of this precious metal appreciates abroad. On the other hand, gold prices are already appreciating abroad—the market quotation for the yellow metal having steadily improved from $354 per ounce to $410 at the time of writing. At the same time, platinum has maintained its lead over gold, its quotation having risen to $450 an ounce. The price gains of these two precious metals, which are mainly the consequence of disturbed conditions in the principal producer nation of South Africa, are now expected to influence the price of silver as well. This means that it is only a matter of time before silver prices rise in the international market. The forecast is that gold and platinum prices are likely to touch $500 for the yellow metal and $600-675 (per ounce).

Progressively higher. These price trends abroad are bound to affect the supply-demand equation in this country. As gold prices rise abroad so will the prices of the yellow metal in this country. And though the facility for advance imports of the metal has been conceded to exporters of gold jewellery from India, imports by them, to correspond to the quantity of the metal content of exports, will be made at progressively higher prices.

Indeed, in the immediate aftermath of the government of India's decision to permit jewellery exporters to import gold in advance of making exports, gold prices in the international markets perked up by a margin of $10 to $410 per ounce.

With international prices of precious metals projected to firm up further, the question of gold losing ground in this country just does not arise. Rather, this precious metal, always quoted at a premium in this country, is likely to appreciate at a faster rate.

The question of guessing how high silver prices can go from the current level of Rs. 4,237 per kg is more difficult to answer given the rise in the quantity of contraband import of this metal into the country. As mentioned earlier, a rise in silver prices abroad could bring the clandestine import of this metal into India to an end, perhaps also restore the status quo ante i.e., a reverse flow of silver out of the country.

Evidently, the demand for silver in this country has been growing, as this metal still costs relatively far less than gold. Certainly, those who cannot afford to buy gold, make do with silver as a substitute. Moreover, the people of this country have been buying these precious metals not only to meet their traditional requirements for marriage or festive occasions, but also to meet the objective of creating a readily disposible hedge against inflation. While on the subject of silver purchases, it is also pertinent to note there is no legal prohibition against buying this precious metal as there is against buying gold.

In the circumstances, the prospects of bullion in this country are not endangered by either the facility extended by the Union government to exporters of gold jewellery to import their requirements of this precious metal, or by the current inflow of smuggled silver from abroad.

Artymon

Today, instead of worrying about the quantity of work we get done, let's worry about the quality of work we do.

Numbers can be an amazing disguise.

Take India for instance.

Last year, we rolled out nearly seventy five thousand cars.

Almost a hundred and seventy thousand motorcycles.

Over sixty two lakh wrist watches.

Over six lakh colour television sets.

India in fact was, and is, one of the ten largest industrial nations in the world.

Impressive numbers.

But numbers which can't hide a truth.

For honestly, when was the last time you bought a product of top class international quality that was made entirely in India?

The point, friend, is simple.

The pursuit of excellence is a virtue that is coming in a poor second.

Making a fast buck is leading by miles.

But there is a lot to be optimistic about.

If people like you, in your own sphere push for that little extra.

Especially when 'there isn't any time' or 'profits will suffer'.

When you feel proud of the job you do.

When workmanship and care actually show in the product you make.

At least that's the way at Buckau Wolf see it.

We could have utilised all this space and money to emphasize the sophisticated machines we make.

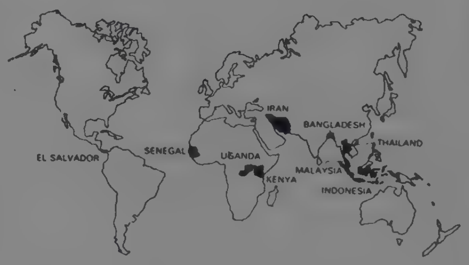
Those difficult projects we handled with ease.

How profitable we are.

Our access to the technology of our West German principals, Krupp.

But of what use would that be if we continued mass producing the substandard.

Instead of setting new standards.



In addition to illustrating the countries to which we have exported our engineering skills, this map also illustrates how much our investment in quality consciousness has paid off. Today, Buckau Wolf is reaping the benefits of an international reputation in engineering excellence.

Buckau Wolf India Limited
Pimpri, Pune 411 018.

KRUPP BUCKAU WOLF

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Depressed conditions

Despite institutional support for select scrips, equities on the stock exchanges continued to remain depressed during the fortnight ended 5th September. The bearish trend is attributed to the deteriorating law and order situation in Punjab and other states as also to the lack of support by investors. Strong rumours that Union finance minister V.P. Singh may resign his office has also shaken the confidence of the market.

Confirming the downward trend in equity values, *The Economic Times* index of ordinary shares (1969-70=100) moved downwards from 494.1 on 25th August to 486.7 on 5th September. Likewise the *Financial Express* equity index (1979=100) declined from 351.64 to 350.00 during the same period.

Iron and steel equities showed a distinctly weakened trend on bear hammering and long liquidation. As the Bombay stock exchange authorities lifted the ban on forward sales, bear operators were active once again. As a consequence the *ET* sectoral index for these scrips moved down by 1% to 1,598.1.

Engineering shares also displayed a bearish trend because of tired bull liquidation and lack of fresh support.

Disappointing result. Cement equities too continued to exhibit a downward trend following rumours that the annual results of ACC for the year ended 31st July are likely to be disappointing. Consequently the *ET* index for these scrips moved down from 171.5 to 168.7—a loss of 1.45%.

In sharp contrast to the generally bearish trend, plantations shares firmed up on hectic short covering. Tata Tea, the trend-setting scrip, moved up to Rs. 70 recording a gain of 7.7%, while the *ET* sectoral index for these scrips rose by 11.4% during the fortnight.

"In the light of the good progress of the monsoon throughout the country and encouraging corporate news, equity values are likely to look up in coming months. However, the Bombay stock exchange authorities should adopt a uniform margin system. When the market was in bad shape during the fortnight, there was no need for the authorities to lift the margin on four scrips which added fuel to the bearish trend. On one side the government is keen to boost the capital market, and on the other, the stock exchange authorities are giving a free hand to bear operators," observes Anand Diwan, a respected stockbroker and financial consultant.

S. Dhruv

BOMBAY

Name/Industries 1	1985 Price range High 2 (Rs.)	Low 3 (Rs.)	Dividend per share 4 (Rs.)	Opening 25-8-86 5 (Rs.)	Closing 5-9-86 6 (Rs.)	Yield 7 %
Textiles						
Baroda Rayon (100)	500.00	282.00	15.00	270.00	271.25	5.5
Bombay Dyeing (25)	156.00	63.00	1.75*	91.00	93.00	1.9
Century Spg. (100)	1530.00	805.00	24.00*	735.00	745.00	3.2
Century Enka (100)	1240.00	600.00	34.00	1050.00	1120.00	3.0
Garware Nylon (10)	64.00	24.50	1.80	38.50	37.00	4.9
Gwalior Rayon (10)	88.00	53.50	2.20	76.00	NA	...
Indian Rayon (10)	144.00	65.00	2.40	122.00	122.50	2.0
JK Synthetics (10)	118.00	51.70	1.50	112.00	108.50	1.4
Mafatlal Ind. (125)	400.00	235.00	22.00	455.00	370.00	5.9
Nirlon (10)	73.00	37.00	2.25*	34.00	35.00	6.4
Reliance Ind. (10)	252.00	121.00	4.00	251.00	268.00	1.5
S. I. Viscose (100)	285.00	170.00	15.00	205.00	195.00	7.7
Standard Mills (100)	475.00	272.00	12.00	395.00	435.00	2.8
Paper						
Andhra Pradesh (100)	195.00	160.00	20.00	150.00	137.50	14.5
Ballarpur (10)	68.00	43.00	2.20*	57.00	56.50	3.9
Bhadrachalam (10)	36.00	20.50	N.A.	36.00	36.50	...
Jayant Paper (10)	28.00	13.50	2.00	18.50	17.00	11.8
Orient Paper (10)	101.00	59.00	2.00	70.00	70.00	2.9
Steel						
Mukand (10)	54.00	21.75	N.A.	51.00	51.00	...
Tata Steel (100)	1255.00	379.50	21.00	1255.00	1242.00	1.7
Zenith Steel (10)	78.00	27.50	2.50	85.00	83.00	3.0
Metal & Alloys						
Bihar Alloys (10)	26.00	8.25	N.A.	14.50	14.00	...
Ferro Alloys (100)	275.00	125.00	12.50	355.00	340.00	3.7
Hindustan Alum (10)	94.00	51.00	1.35*	76.00	77.50	1.7
Mahindra Ugine (10)	49.00	27.00	N.A.	27.00	29.00	...
Engineering						
Antifric Bearings (10)	50.00	21.50	1.40	13.50	13.50	10.4
Associated Bearing (100)	800.00	435.00	20.00	700.00	490.00	4.1
Atlas Copco (10)	72.00	35.00	1.20	84.00	88.00	1.4
Bharat Forge (10)	90.00	29.00	1.80*	76.00	62.00	2.9
Bharat Gears (10)	60.00	27.50	1.80	26.00	24.00	7.5
Blue Star (10)	92.50	32.50	2.00	82.50	82.50	2.4
Elecon (10)	108.00	54.50	1.70	100.00	102.50	1.7
Greaves Cotton (100)	350.00	202.50	17.00*	280.00	280.00	6.1
Hind Lever (10)	128.00	50.75	2.40	173.00	168.50	1.4
Ingersoll-Rand (10)	365.00	159.00	3.50	277.00	270.00	1.3
KEC Int. (10)	40.00	24.00	1.25	16.00	13.00	9.6
Kinetic Engg. (10)	360.00	128.00	2.50	314.00	305.00	0.8
Kirloskar Cummins (100)	753.50	500.00	15.00	600.00	645.00	2.3
Kirloskar Oil (10)	36.00	19.50	1.25	14.75	13.50	9.3
Larsen & Toubro (10)	193.00	72.00	2.40	124.50	120.00	2.0
Mahindra & Mahindra (10)	102.00	47.50	1.80*	50.00	48.00	3.8
Otis Elevator (10)	215.00	85.00	2.50	130.00	130.00	1.9
Premier Auto (100)	650.00	310.00	21.00	887.50	885.00	2.4
Pressure Cookers (10)	49.00	25.00	1.90	33.50	35.50	5.4
Tata Engg. (100)	1030.00	406.00	23.00	700.00	655.00	3.5
Voltas (100)	470.00	358.00	10.00*	217.50	222.50	4.5
Automobiles						
Bajaj Auto (100)	2075.00	855.00	30.00	3325.00	3825.00	0.8
Bajaj Tempo (10)	280.00	143.00	2.50	122.50	117.50	2.1
Escorts (10)	102.00	45.75	2.20	98.00	92.00	2.4
Motor Industries (100)	815.00	321.25	15.00	857.50	845.00	1.8
Cables & Electricals						
Asian Cables (100)	215.00	112.50	10.00	175.00	215.00	4.7
Bajaj Electricals (100)	340.00	115.00	20.00*	650.00	685.00	2.9
Bharat Bijlee (100)	300.00	105.00	16.00	500.00	485.00	3.3
Crompton Greaves (100)	350.00	257.50	10.00	270.00	270.00	3.7
Peico Electronics (10)	103.00	38.50	2.00	58.50	58.50	3.4
Siemens India (10)	87.50	38.00	1.40	86.00	84.00	1.7
Dyes & Chemicals						
Amar Dye-Chem (100)	95.00	62.50	12.00*	60.00	55.00	21.8
Bayer (100)	480.00	320.00	18.00	580.00	580.00	3.1
I.E.L. Ltd. (10)	80.00	32.70	2.00	66.00	66.00	3.0
Colour-Chem (100)	335.00	185.00	12.00*	242.50	242.50	4.9
Cynamid (10)	80.00	35.00	25.00*	64.00	60.00	41.7
Glaxo (10)	75.00	23.75	1.80	56.00	55.00	3.3
G S F C (100)	895.00	534.00	24.00	151.00	153.00	15.7
Herdillia Chem (10)	67.00	25.50	1.80	40.00	40.00	4.5
Mafatlal Dyes (10)	33.00	23.50	1.70	23.00	22.00	7.7
Mangalore Chem (10)	50.00	19.50	N.A.	43.00	41.00	...
Indian Dyestuffs (100)	390.00	267.50	16.00	240.00	220.00	7.3
Indian Organic (10)	141.00	50.25	18.00*	74.00	73.00	24.7
Pfizer (10)	100.00	39.00	2.00	84.00	82.50	2.4
Polychem (50)	181.00	60.00	10.00	212.50	216.25	4.6
Sandoz (10)	80.00	31.00	1.40	104.00	104.00	1.3
Sandvik Asia (100)	575.00	340.00	10.00	680.00	680.00	1.5
Tata Chem. (10)	155.00	64.50	2.50	102.00	102.00	2.5
Warner Hind (10)	75.00	36.00	2.50*	87.50	82.50	3.0
Zuari Agro (10)	94.00	46.00	2.25*	83.00	85.00	2.6
Shipping						
Chowgule (10)	16.50	5.00	N.A.	5.75	5.00	...
Great Eastern (10)	34.00	14.25	0.70	15.00	15.00	4.7
Scindia (20)	21.50	7.00	N.A.	7.00	6.50	...

Name/Industries 1	1985 Price range High 2 (Rs.)	Low 3 (Rs.)	Dividend per share 4 (Rs.)	Opening 25-8-86 5 (Rs.)	Closing 5-9-86 6 (Rs.)	Yield 7 %
BOMBAY						
Cement						
A C C (100)	610.00	380.00	20.00	212.00	204.00	9.8
Digvijay Cement (100)	230.00	180.00	20.00	160.00	160.00	12.5
Mysore Cement (10)	48.00	30.00	1.75	26.00	26.00	6.7
Raaci Cement (10)	60.00	31.00	1.80	28.00	25.00	7.2
Miscellaneous						
Andhra Valley (100)	180.00	121.00	16.00	183.75	183.75	8.7
Blow Plast (10)	122.00	44.00	2.50*	92.00	84.00	2.9
Colgate (10)	318.00	143.50	7.00*	300.00	295.00	2.4
East India Hotels (10)	53.00	25.50	2.00	47.00	46.00	4.3
Garware Marine (10)	33.00	14.00	1.40*	13.00	13.00	10.8
Gujarat Alkali (10)	65.00	38.00	2.50	58.50	59.50	4.3
Harri Malayalam (10)	76.00	38.00	2.50	38.00	38.00	6.6
Indian Hotels (10)	135.00	77.00	2.50	100.00	100.00	2.5
I.T.C. (10)	59.80	29.00	2.25	66.00	66.00	3.8
Lohia Machine (10)	85.00	43.50	2.00	25.00	22.50	8.9
Ponds (10)	218.00	103.00	4.50	347.50	330.00	1.4
VST Ind (10)	38.50	21.00	2.30	30.00	30.00	7.7
Wimco (10)	71.00	38.50	2.00	61.00	60.00	3.3
CALCUTTA						
Textiles						
Bharat Commerce (10)	27.00	13.75	1.00*	13.50	12.50	8.0
J. K. Cotton (10)	64.00	18.00	1.20*	67.25	67.25	1.8
Kesoram Ind (10)	85.00	52.00	2.35	62.00	62.50	3.8
Jute						
Birla Jute (10)	105.00	51.50	1.85	44.00	43.50	4.3
Reliance (10)	—	—	1.75*	39.00	39.00	4.5
Chemicals						
Chloride India (10)	95.00	58.00	2.20*	123.00	120.00	1.8
Indian Oxygen (10)	66.30	42.75	2.00*	53.00	51.70	3.9
Engineering						
Alfred Herbert (10)	25.00	16.00	1.50	14.25	14.25	10.5
Guest Keen (10)	35.25	20.00	0.50	18.10	17.70	2.9
India Foils (10)	78.00	38.75	2.00*	89.00	84.50	2.4
Macneil Magor (10)	250.00	127.00	12.00	32.00	22.00	54.5
Metal Box (10)	25.00	11.50	0.80*	17.00	17.00	4.7
Union Carbide (10)	38.00	16.75	0.50	21.75	21.25	2.4
Usha Martin (10)	48.00	26.00	1.60*	32.50	31.75	5.0
Tea						
Basmatia (10)	44.75	35.25	3.00	29.50	29.50	10.2
Brooke Bond (10)	83.00	46.50	2.50	72.50	73.50	3.4
Tata Tea (10)	177.00	64.00	5.00*	59.75	69.50	7.2
Miscellaneous						
Britannia Ind (10)	91.00	46.50	1.80	142.00	140.00	1.3
Davy Ashmore (10)	30.00	18.25	1.50*	19.00	18.62	8.1
English Elec (10)	114.00	70.00	3.50	94.00	92.25	3.8
Hindustan Motors (10)	127.00	37.10	2.00	42.70	41.80	4.8
Remington Rand (10)	80.00	36.50	2.00	33.00	31.25	6.4
Uni Cables (10)	65.00	26.50	1.50	75.25	78.00	1.9
DELHI						
Amrit Banaspati (10)	48.00	15.00	1.20*	40.00	39.00	3.1
D C M (25)	82.00	48.25	3.75	36.50	29.00	12.9
Escorts (10)	102.00	45.75	2.20*	93.00	90.00	2.4
Goetze India (10)	61.00	21.00	1.80*	55.50	53.50	3.4
Jagatjit Cotton (10)	—	—	1.40*	79.00	64.50	2.2
Kelvinator (10)	105.00	49.00	1.60	69.00	69.00	2.3
Modi Industries (10)	87.00	16.50	1.80	36.00	36.00	5.0
Prakash Tubes (10)	24.50	18.00	1.50	20.00	19.50	1.5
AHMEDABAD						
Anil Starch (100)	225.00	147.00	18.00	N.A.	180.00	10.0
Aruna (100)	200.00	105.00	15.00*	145.00	140.00	10.7
Atul Prod. (100)	667.00	311.50	20.00	428.00	414.00	4.8
Bharat Vijay (100)	255.00	167.50	10.00	205.00	197.50	5.1
Calico (125)	235.00	108.00	N.A.	108.00	106.00	...
Cellulose Prod. (100)	—	—	8.00*	80.00	87.00	9.2
Guj. Steel (100)	300.00	140.00	15.00	205.00	205.00	7.3
Mafatlal Ind. (100)	390.00	235.00	22.00	387.00	374.00	5.9
Vallabh Glass (100)	275.00	105.00	22.00*	100.00	80.00	27.5
MADRAS						
Aluminium Ind. (10)	17.00	5.00	1.50*	6.50	6.50	23.1
Amrutanjan (10)	—	—	3.50	69.00	68.00	5.1
Andhra Cement (10)	—	—	1.50	19.00	16.50	9.1
Ashok Leyland (10)	58.00	25.00	1.80*	27.00	26.00	6.9
Enfield India (10)	101.00	45.00	2.00	26.75	26.00	7.7
Indian Cement (10)	46.00	20.00	2.00	25.00	24.75	8.1
Kothari Ind (10)	34.50	19.00	1.20*	14.00	13.50	8.9
Madura Coats (10)	69.00	27.25	2.50	55.00	53.00	4.7
Mysore Lamps (10)	84.00	40.00	2.50	68.00	46.00	5.4
Textool (100)	265.00	182.00	18.00	26.50	26.50	68.0

* Latest Available

Gainers	**Between 25th August and 5th September**
Assam Frontier (10)	+ 2.50
Asian Paints (10)	+ 5.00
Bata (10)	+ 10.50
Brooke Bond (10)	+ 1.75
Bajaj Auto (100)	+ 450.00
GSFC (10)	+ 5.00
GRASIM (10)	+ 1.50
Hind Alu (10)	+ 0.50
Larsen & Toubro (10)	+ 1.00
Lipton (10)	+ 2.00
Modi Rubber (10)	+ 0.50
Reliance (10)	+ 1.00
Straw Products (10)	+ 2.00
Tata Tea (10)	+ 5.00

Losers	**Between 25th August and 5th September**
ACC (100)	– 10.00
Ashok Leyland (10)	– 1.50
Arvind (100)	– 6.00
Atul (100)	– 9.00
Birla Jute (10)	– 0.75
Baroda Rayon (100)	– 3.75
Bihar Alloys (10)	– 0.75
Bombay Dyeing (25)	– 0.50
Chloride (10)	– 1.50
DCM (25)	– 9.00
Deepak Fert (10)	– 3.00
E I Hotels (10)	– 1.00
Essar Shipping (10)	– 7.00
Enfield (10)	– 3.50
Escorts (10)	– 2.50
Food Specialities (10)	– 7.50
Garware Nylon (10)	– 1.00
Garware Poly (10)	– 1.00
Glaxo (10)	– 1.00
Guj. Narmada (10)	– 1.75
Hind Lever (10)	– 1.50
Hind Motors (10)	– 1.00
Indian Organic (10)	– 1.00
JK Synthetics (10)	– 2.50
Mahindra & Mahindra (10)	– 3.00
Mangalore Chem (10)	– 1.50
MICO (100)	– 5.00
MRF (10)	– 4.00
Mukand (10)	– 1.00
NOCIL (100)	– 2.50
Pfizer (100)	– 3.50
Premier Auto (100)	– 25.00
TELCO (100)	– 20.00
Tata Power (100)	– 20.00
TISCO(100)	– 27.50
WIMCO(10)	– 1.50

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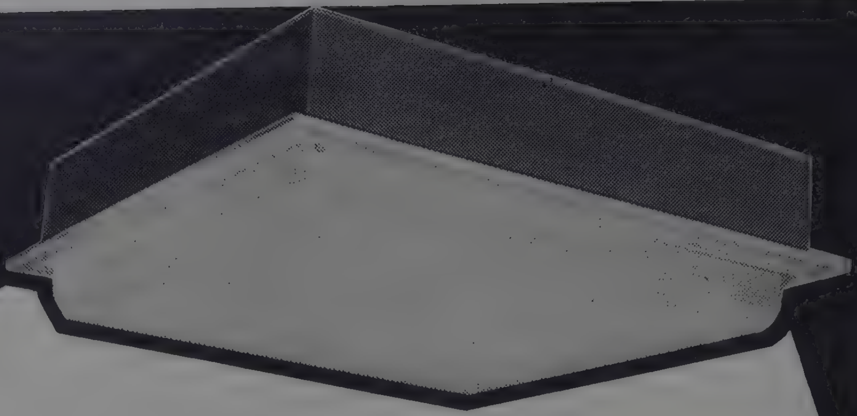

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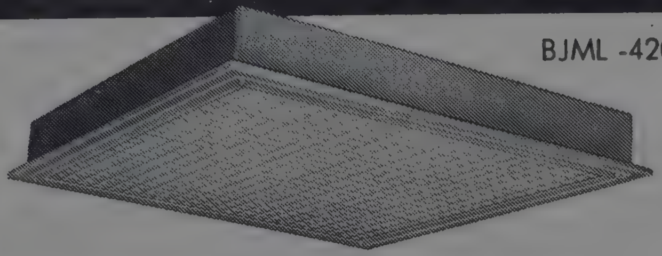

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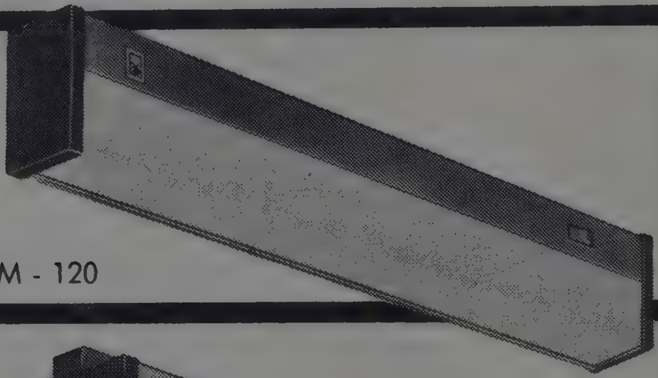

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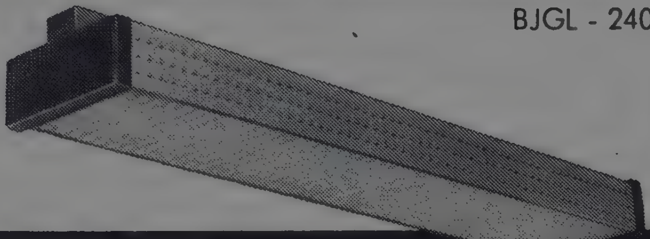

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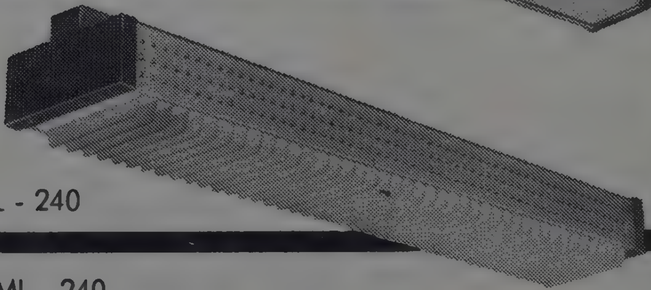
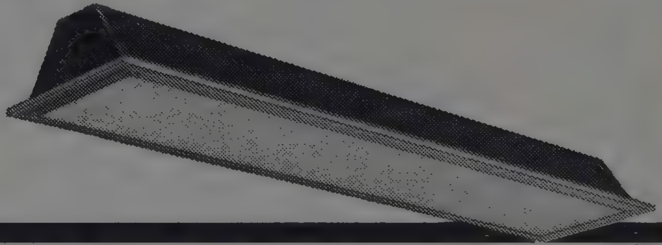


BJL - 240

BJP - 240



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Indian commodity prices

Commodity	Variety/Centre	1985 *High*	1985 *Low*	Prices as on *August 22, 1986*	Prices as on *September 5, 1986*
Foodgrains (per quintal)					
Wheat	Desi-Delhi	285.00	222.50	270.00	270.00
Rice	Sela-Hapur	319.00	261.50	332.50	337.50
Gram	Desi-Bombay	607.50	437.50	417.50	417.50
Sugar (per quintal)	C-30, Bombay	783.00	475.50	603.00	597.00
Edible oils (per tonne)					
Groundnut	Wholesale Bombay	16,408.00	13,962.00	24,960.00	25,275.00
Mustard (tin)	K-Ghani-Delhi	197.50	175.50	262.00	262.50
Coconut	Cochin	31,750.00	14,700.00	20,250.00	25,000.00
Steel (per tonne)					
Rounds	6mm-Bombay	6,250.00	5,500.00	5,550.00	5,550.00
Angles	75x75x6mm	6,900.00	5,550.00	6,200.00	6,100.00
Non-ferrous metals (per quintal)					
Copper	Wire bar-Bombay	4,935.00	4,590.00	4,570.00	4,500.00
Lead	Bombay	1,265.00	1,210.00	1,455.00	1,465.00
Ferrous scrap (per tonne)					
Heavy melting	No.1 Bombay	2,500.00	1,950.00	2,600.00	2,600.00
Re-rollable	Bombay	4,325.00	3,275.00	4,125.00	4,125.00
Chemicals (per 50 kg)					
Soda Ash	Tata	312.50	177.50	181.00	181.00
Caustic	Flakes	385.00	300.00	400.00	400.00
Cement (per bag of 50 kg)					
Controlled		42.50	41.00	42.50	42.50
Open market		85.00	60.00	57.00	57.00

Commodity prices abroad

Commodity	Centre	Currency/unit	Prices as on *August 22, 1986*	Prices as on *September 5, 1986*
Gold	London	$/ounce	379.00	404.00
	Zurich	$/ounce	377.00	406.00
	Hong Kong	$/ounce	375.00	409.00
Silver	New York	Cents/ounce	516.70	533.50
Copper (w.bar)	London	£/tonne	842.00-843.00	881.00-883.00
Soyabean oil	Chicago	Cents/pound	13.98	13.17
Palm oil	Malaysia	$/tonne	450.00	440.00
Castor oil	Rotterdam	$/tonne	625.00	600.00
Black pepper	Singapore	$/quintal	962.50	987.00
Rubber	Malaysia	$/tonne	220.00-223.00	221.00-222.00

Edible oils keep rising

A further spurt in edible oil prices before a sizeable fall back was the feature of trading in the Indian commodity markets during the last fortnight ended 5th September.

Oils, oilseeds. Edible oil prices continued their upward march in the first week of the fortnight under review. Groundnut oil prices shot up by almost Rs. 3,000 per tonne to over Rs. 27,000. But higher prices prompted stockists to reduce inventories. Moreover, larger releases of imported oils through the public distribution system also softened market sentiment. Consequently, the price fell back to Rs. 25,275, still showing an on-balance gain of over Rs. 300 over the fortnight.

Among industrial oils, castor oil prices rose sharply on account of the Soviet buyers' entry into the Indian market.

Foodgrains. Wheat prices ruled steady, while rice prices hardened further in spite of the government's decision to release 40,000 tonnes of the latter commodity from its stocks. Pulses maintained a steady trend.

Steel, metals. Steel prices were subdued because of a paucity of purchase orders. Among non-ferrous metals, copper prices declined by about Rs. 70 per quintal in the wake of the MMTC's decision to reduce the release price of electrolytic copper by about Rs. 1,000 per tonne.

Fibres, yarn. Cotton prices were subdued because of a comfortable supply position and weaker advices from abroad. In the yarn market, polyester filament yarn prices have begun firming up on reports of a shortage of supplies. Viscose and nylon yarn prices were quiet.

Sweetening agents. Sugar prices were easy because of the release of 4.5 lakh tonnes of the commodity for free sale for the month of September. *Gur* prices, however, ruled better registering a further rise of Rs. 5-10 per quintal.

Dyes, chemicals, *kirana* and cement prices were quietly steady in restricted activity.

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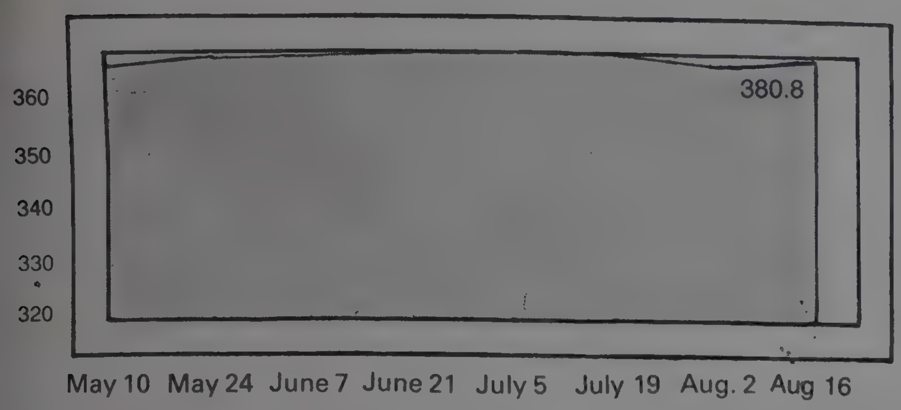
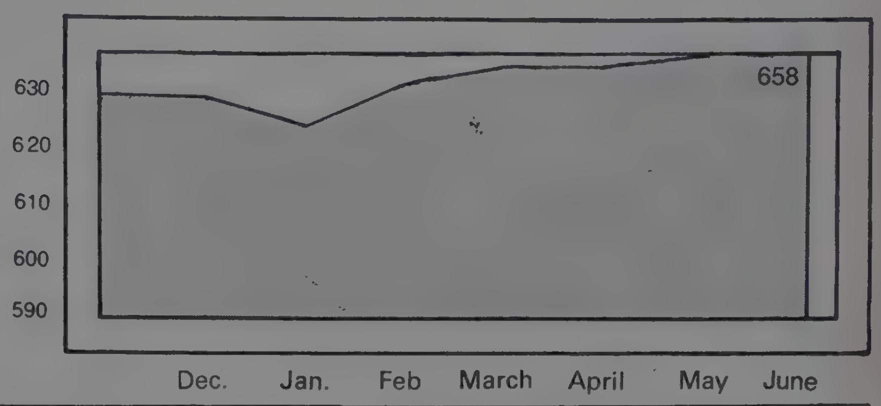
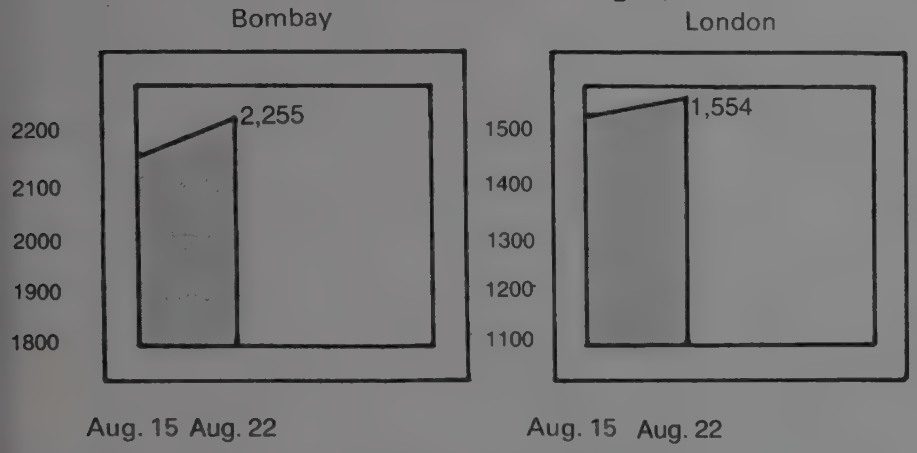
Wholesale Price Index (1970-71=100) 1986



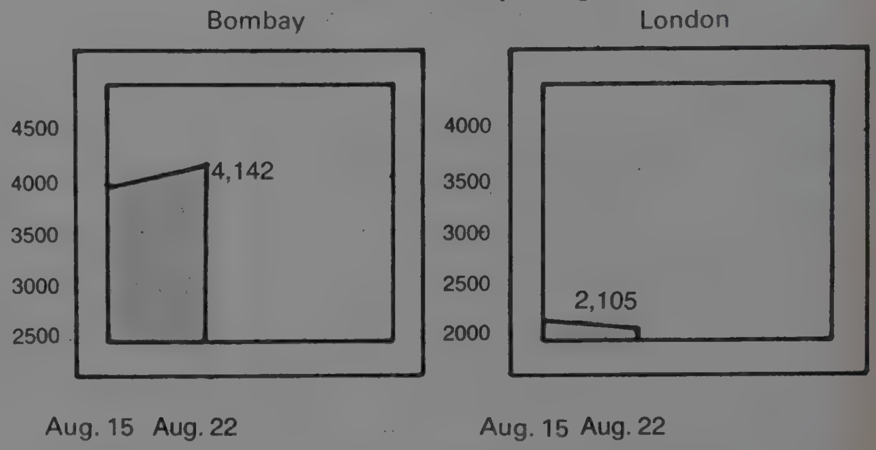
Consumer Price Index for Industrial Workers (1960-61=100) 1986



Gold (Rs. per 10 gm)



Silver (Rs. per kg)



London Interbank offered Rates (LIBOR) ruling on 2nd September 1986

	One month	Three months	Six months	One year
Sterling Pound	10.19	9.94	9.75	9.75
US dollar	5.81	5.63	5.63	5.69
West German mark	4.56	4.44	4.44	4.44
Japanese Yen	5.19	4.88	4.75	4.75

Source: The Merchant Banking Division of the Standard Chartered Bank

Domestic interest rates (% per annum)

	1985 August 16	1986 August 15
Bank Rate	10.00	10.00
IDBI (direct loans)	14.00	14.00
NABARD (refinance)	6.50	6.50
Call money rate* (Bombay)	10.00	10.00
Exim Bank (suppliers' credit)	9.00	8.50**

* Weighted average of rates reported by selected banks

** Effective from 21st February 1986

*Money Supply (M3)	(Rs.crores)	% change over	
August 1, 1986	1,23,863	Fortnight	−0.4
July 18, 1986	1,24,380	Year	+15.2
August 2, 1985	1,07,514	Two years	+35.6

** Aggregate Deposits	(Rs.crores)	% change over	
August 15, 1986	93,677	Fortnight	+0.3
August 1, 1986	93,450	Year	+17.3
August 16, 1985	79,832	Two years	+41.0

*** Foreign Exchange Reserves	(Rs.crores)	% change over	
August 15, 1986	4,642	Fortnight	+0.3
August 1, 1986	4,629	Year	−8.2
August 16, 1985	5,054	Two years	−6.6

CSO Index of Industrial Production (1970=100) 1985

September	201.2	February	214.3
October	202.4	March	239.0
November	206.4	April	207.0
December	222.0	May	212.9
1986		June	212.0
January	224.0	July	213.0

Bank credit	(Rs.crores)	% change over	
August 1, 1986	82,870	Fortnight	−0.9
July 18, 1986	83,621	Year	+13.9
August 2, 1985	72,785	Two years	+33.3

Foreign Exchange Rates (Spot) 1985 Buying Rs.

	1986 August 22	1985 August 23
One P. Sterling	18.81	16.61
One US Dollar	12.52	11.86
One D. Mark	6.13	4.30
One hundred J. Yen	8.15	5.02

Notes: * *Comprises currency with the public plus deposit money of the public plus time deposits with banks*

** *Demand deposits plus time deposits*

*** *Including SDRs, excludes gold coins*

Wheels within wheels

An ambitious bid by the Bombay-based Jatia group of companies (Pudumjee Pulp & Paper Mills, Hard Castle & Waud and Modern Mills) to acquire a controlling interest in the Calcutta-based Tribeni Tissues (net sales: Rs. 40.36 crores in 1985), has fallen through in curious circumstances.

According to reliable reports, the group's patriarch M.P. Jatia had all but finalised an offshore deal under which the Jatia group would acquire the 51% shareholding of the UK-based Wiggins Teape in Tribeni Tissues for £9.3 million (Rs. 17.20 crores). Under the deal, this controlling interest in Tribeni Tissues was proposed to be acquired by a Jatia clansman based in Japan.

Yet there are wheels within wheels. Wiggins Teape in turn is a subsidiary of the London-based cigarettes and consumer products colossus, BAT Industries plc (formerly British American Tobacco Co.). And as is well known, BAT (sales: $11.39 billion or Rs. 13,668 crores in 1985) owns 39.9% of the equity shareholding in the Calcutta-based ITC, India's largest cigarettes manufacturing company.

In light of the fact that ITC purchases almost 60%-70% of its requirements of tissue paper, cigarette filters and cigarette filter paper from Tribeni Tissues, the ITC top brass was far from pleased about the prospect of the Jatias — who also produce cigarette filters and filter paper and who propose to commence manufacture of cigarette wrapping paper in Pudumjee Pulp & Paper — acquiring a virtual monopoly in these lines of business.

But perhaps coincidentally — and certainly fortunately — for the Calcutta-based cigarettes giant, investigations by the Directorate of Revenue Intelligence into the business connections of the Jatias and other members of the family overseas, have dampened the Jatias' ardour to acquire an equity stake in Tribeni Tissues.

Drug industry epidemic

An occupationally hazardous epidemic seems to be sweeping the boardrooms of drug multinational affiliates in India. As a result, the chief executives of several of these locally incorporated foreign affiliated drug companies have either been put in the ejector chair and/or have put in their papers in recent times. The exodus from India's premier drugs and pharmaceuticals companies began about a year ago when D.D. Chopra, the chief executive of Warner Hindustan put in his papers. Shortly thereafter, S.K. Duggal of May & Baker followed suit as did P. Motwani of Nicholos Laboratories.

The latest drug company chief executive to put in his papers is S. Datta, chairman and managing director of Burroughs Wellcome India Ltd., who abruptly resigned his position with effect from 1st September. Datta's resignation is reportedly the sequel to Burroughs Wellcome's controversial proposal to enter the sports footwear and leisurewear business in collaboration with Nike, USA. But with the country's largest footwear manufacturer — the Calcutta-based Bata India Ltd. — responding quickly by linking up with the West German leisure and footwear company Adidas, the Burroughs Wellcome top brass developed cold feet about the project which was recently abandoned.

The consequence is that the solidly conservative company's image has taken a bashing. The fact that the Nike collaboration proposal was introduced to Burroughs Wellcome by Datta's son Sudipto Datta didn't exactly help Datta's — or Burroughs Wellcome's — image either.

In the meanwhile, the chief executives of two other foreign affiliated drug companies, Amar Singh of the highly profitable John Wyeth & Co. and K.K. Arora of the Bangalore-based Eskayef Ltd., have also reportedly put in their papers.

New broom impact

The recent carve-up of the Birla empire (which curiously has been reported only by the Calcutta-based *Business Standard* — 28th August) on the basis of the "lines of actual control" among the scions of the Birla clan, has already begun to cause reverberations within India's first business family.

The allocation of the companies within the Birla group, precipitated by the request of K.K. Birla to entertain the claim of his daughters as his heirs — an unprecedented request in the Birla *khandaan* — has claimed its first victim. K.C. Mathur, general manager of Ratnakar Shipping, has been peremptorily sacked and the future of the high profile R.C. Maheshwari, the chief executive of Texmaco, is also reportedly uncertain.

Now the betting is how long N.C. Menon, editor of the *Hindustan Ti* which under the division of asset ag ment has been allotted to K.K. Bi daughter Shobhana Bhartia, survive the new broom.

Curious consultancy

The strange manner in which the rec proposal of M.S. Pathak — the w connected non-resident Indian — monopolise the sale of management a technology consultancy services to public sector has pierced the norma impenetrable facade of the bureaucra is quite intriguing. According to well formed sources in the capital, when t all-important inter-ministry committ of secretaries met some time ago to co sider the Pathak formula for the insta revival of the public sector in the light the recommendations of the D.V. Kap Committee set up to evaluate the sam they were rather surprised — to put mildly — to find an unexpected visitor their midst.

In violation of all norms, who shou be present throughout the meeting "guide" the course of the deliberatio and to "expedite" a final decision on th matter but Pathak himself. Taking the cue from his presence, the necessary endorsements were grudgingly concede by the bureaucrats — who are nothing not experts in the art of bending to th force of prevailing winds.

That the secretaries are inwardly see thing is obvious. Little wonder that according to available evidence, no les than five of the eight companies whic had been instructed to participate in th setting up of the Indian arm of Pathak' venture — ONGC, OIL, NTPC, RITES, IRCO — representing the oil, power and transport sectors, have been quick to indicate their utter lack of interest in Pathak's expertise. They have made it clear tha they do not believe that the kind of technical consultancy services they require can be made available by Pathak's venture, particularly since they have already tied up their requirements for all major projects during the Seventh Plan.

Their only — and grudging — commitment is that they are willing to subscribe to the equity of the new company, if the Union government insists, as a purely commercial proposition. Indeed most o the representatives from these public sector enterprises — ONGC for example — have not even been attending the meetings held by BHEL at regular intervals to finalise the whole scheme.

Where all this leaves Pathak is, of course, anybody's guess.

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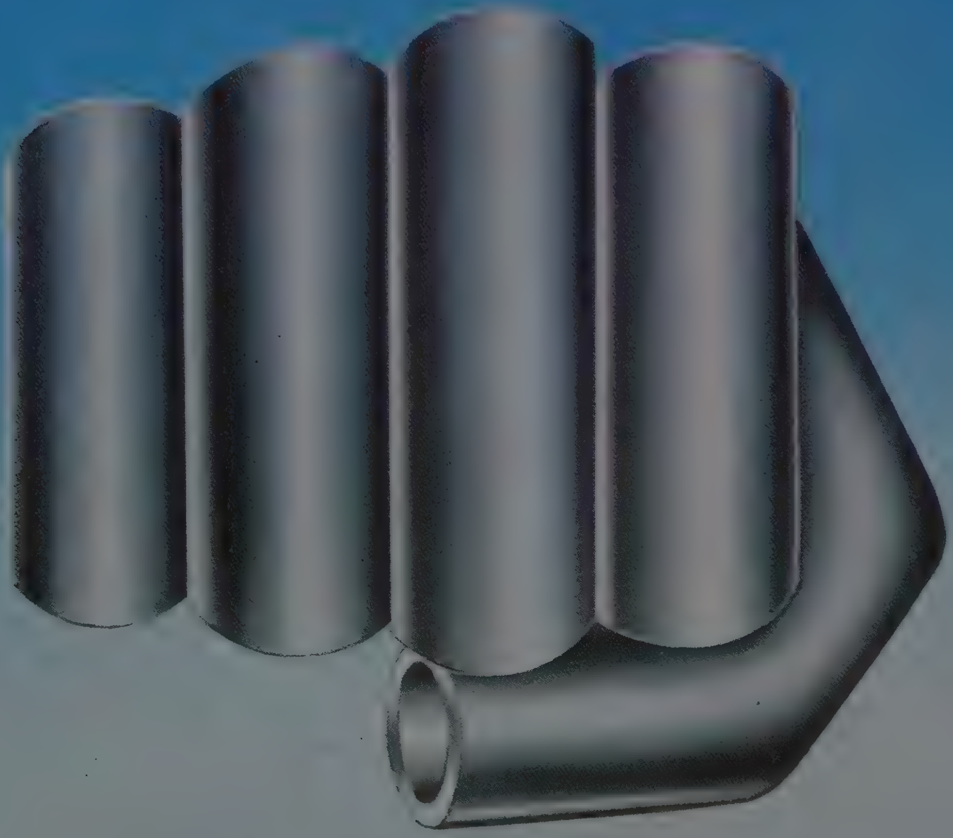

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BusinessWorld

UME 6, ISSUE 14, SEPT. 29 — OCT. 12, 1986 RS.5

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One Year 26 issues Rs 110
Two years 52 issues Rs 220
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Published for Ananda Bazar Patrika Ltd. from 145 Atlanta, 209 Ceremonial Boulevard Nariman point, Bombay 400 021 by Ranen Chakrabarty and printed at Printwell, Laxmi Mills Estate, Off Dr. E. Moses Road, Mahalaxmi, Bombay 400 011

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MYSORE - 57[illegible]

BusinessWorld
Questionnaire

At the last annual editorial workshop of BusinessWorld held in early May, a decision was taken to conduct an informal reader survey to ascertain the strengths and weaknesses of this fortnightly. Given below is a questionnaire which readers are requested to complete and return to us to enable us to tailor BusinessWorld to readers' requirements.

Name: ____________________

Profession: ____________________ **Designation:** ____________________

Income: ____________________ **Age:** ____________________ **City** ____________________

1. Which of these business papers / magazines do you read? (Please tick)

	Regularly	Occasionally	Infrequently
Economic Times	☐	☐	☐
Financial Express	☐	☐	☐
Business Standard	☐	☐	☐
BusinessWorld	☐	☐	☐
Business India	☐	☐	☐
Fortune India	☐	☐	☐
Update	☐	☐	☐
Others (specify)	☐	☐	☐

TEAR OFF

TEAR OFF

2. My areas of interest are (Please tick one or more)

Corporate & business affairs ☐
Economic policy/development ☐
Political affairs ☐
People & lifestyles ☐
Art/literature ☐
Investments ☐

3. Rank the following magazines on a 1 to 5 scale (5 for very good, 1 for poor) for the following attributes:

	BusinessWorld	Business India	Update	Fortune India
1. Timeliness of information				
2. Depth of information				
3. Range of information				
4. Depth of analysis				
5. Language & style of presentation				
6. Quality of printing & visuals				

4. How much time do you spend in reading an issue of BusinessWorld?

__________ **hours.**

5. How much of BusinessWorld do you read? (Please tick one)

a) The entire magazine ☐
b) More than half the magazine ☐
c) More than a quarter of the magazine ☐
d) Less than a quarter of the magazine ☐

6. **Which of these features in BusinessWorld do you usually find interesting and read? (Please tick one or more)**

1. Cover Feature ☐
2. Spotlight ☐
3. Business News ☐
4. In the News ☐
5. International News ☐
6. Offstage ☐
7. Editorial ☐
8. Company News & Events ☐
9. International Briefs ☐
10. Entrepreneurs ☐
11. Leisure ☐

7. **Which of these specialist pages in BusinessWorld do you read and find interesting (Please look at the shoulder heads inside the magazine pages if you are not sure)?**

a) Political Comment ☐
b) Banking & Finance ☐
c) Economic Comment ☐
d) Taxation ☐
e) Management ☐
f) Computers ☐
g) Careers & Professionals ☐
h) Mediatrends ☐
i) Book Serial ☐
j) Business Information ☐
k) Marketing ☐
l) Investment ☐

8. **In order to suit my requirements better, BusinessWorld should have**

fewer main feature stories. ☐
the same number of main feature stories. ☐
at least one more main feature story. ☐

9. **The lead features (cover & spotlight) should be**

shorter ☐ same length ☐ longer ☐

10. **BusinessWorld's coverage of the following items. (Please tick one column for each entry):**

Items	Is adequate	needs to be expanded	needs to be reduced
Technology	☐	☐	☐
Marketing	☐	☐	☐
Management	☐	☐	☐
Corporate finance	☐	☐	☐
Investment/stockmarkets	☐	☐	☐
Computers	☐	☐	☐
Book reviews	☐	☐	☐
Economic policy	☐	☐	☐
Policy analysis	☐	☐	☐
Corporate performance analysis	☐	☐	☐
Corporate case studies	☐	☐	☐
Behaviour	☐	☐	☐

11A. **Do you buy your copy of BusinessWorld from the newsstands or are you a subscriber?**

A. Newsstands ☐ B. Subscriber. ☐

11B. **If A, do you find it difficult to get a copy of BusinessWorld on the newsstands?**

Yes ☐ No ☐

12. **How soon after the magazine is published each fortnight do you receive your copy of BusinessWorld?**

1—3 days ☐ **3—6 days** ☐
6—12 days ☐ **Longer than 12 days** ☐

13. **Do you have any other suggestions to improve BusinessWorld?**

BusinessWorld
September 29—October 12, 1986

In Britain, this time of the year is known as a silly season. Most economic and business activity is at a standstill, parliament is in recess and, hard-pressed for worthwhile news, the newspapers play up trivia and go to town writing about the royal family.

In the editorial offices of *BusinessWorld* in Bombay too, we are experiencing a sort of silly season. A large number of staffers are — or have been — on leave; our glazed newsprint supply has been stuck on the high seas or later on the road between Calcutta and Bombay, while numerous holidays — the bane of the Indian economic development effort — during August and September have thrown our schedules completely out of joint.

This to a certain extent explains a grave accident in our last issue dated September 15-28. On page 53 of our Cover Feature on Chloride India (pages featuring advertisements are never specifically numbered), two columns of copy matter were inadvertently juxtaposed during the production process in Bombay. Not a few readers and the author of the story — our Calcutta-based assistant editor Debjani Sinha — were justifiably annoyed. My apologies to all of them. To those who are interested in taking another bash at our cover story on Chloride India, the advice is to read the second column on p.53 first and it will be smooth sailing.

In a previous letter on this page I had mentioned that in response to complaints that our south India coverage is poor, we would make a determined effort to report on southern industry. So here's a story on the highly respected Madras-based TI group of companies.

Reputed hitherto for its solidity and business prudence rather than for its venturesomeness, the TI group has been marking time for the past decade. Perhaps a bit too mindful of the letter and spirit of the unnatural anti-growth laws legislated by short-sighted politicians and bureaucrats in New Delhi, the top management of the group failed to seize business opportunities and expand its operations in anticipation of *ex post facto* regularisation which is the rule rather than the exception. As a consequence the companies in the TI group have not been able to realise the potential evidenced by their financial solidity and managerial capability.

But with the induction into office in New Delhi of the liberal Rajiv Gandhi administration which has made plain its intent to deregulate the economy, the top management of the TI group seems anxious to make up for lost time. In this fortnight's Cover Feature we focus on the growth and expansion plans of one of south India's most respected business houses.

Our second lead feature too is essentially a report on southern industry which boasts a sophisticated organised sector automotive components industry. In our Spotlight feature, our Madras-based correspondent Chandu Nair reports on the problems and prospects of component manufacturers who by definition will be required to play a vital role in India's belated automotive boom.

Cover transparencies: George Francis and Mahesh Jolly

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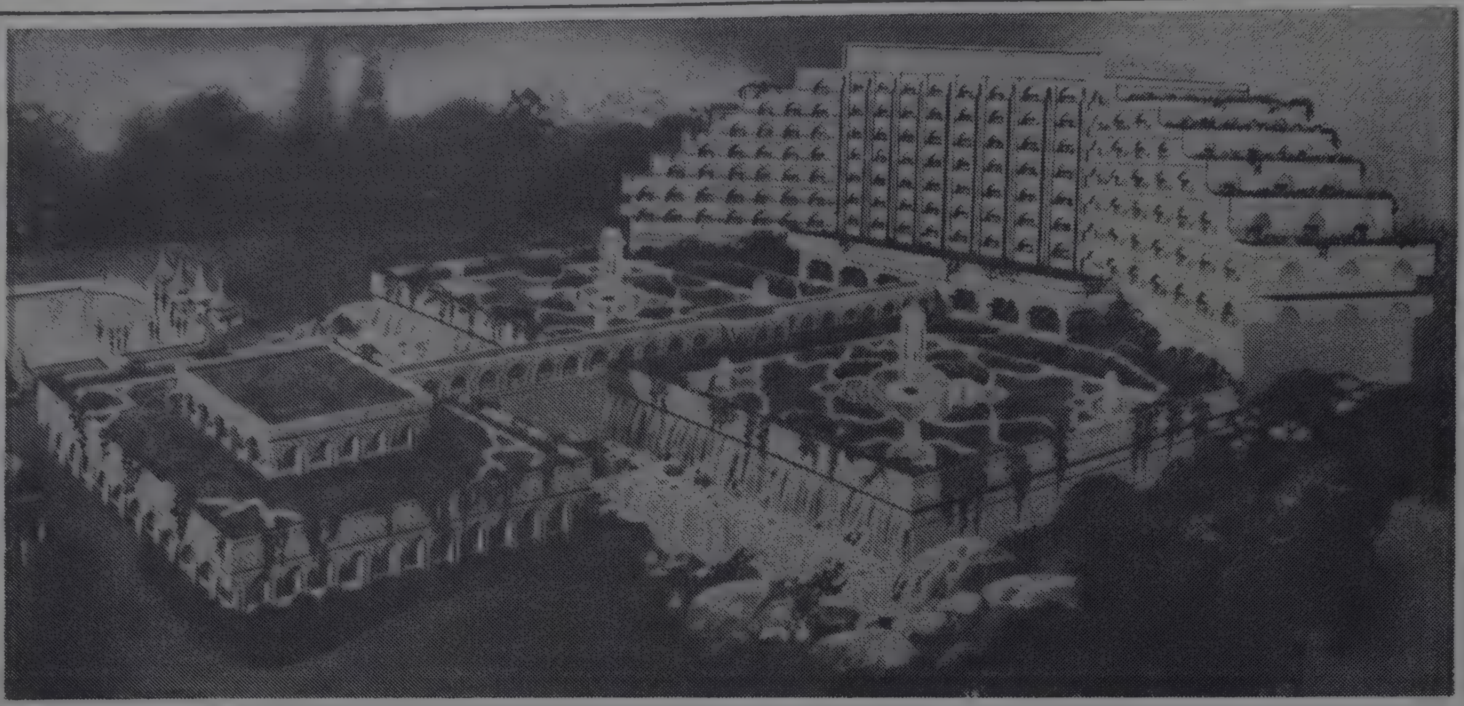
In the same mould as the legendary Oberoi hotels world-wide...



Krishna Oberoi, Hyderabad. Opening early 1987

Don't you want a share in a masterpiece of a hotel?

In early 1987, the 286 room Krishna Oberoi will usher in a new chapter of grandeur and elegance in hotels. Set in a 9 acre plot in Hyderabad's exclusive Banjara Hills, Krishna Oberoi has been designed as a "Garden Hotel" with the most modern facilities... every facet of the hotel a tribute to good taste and gracious living.

Oberoi Management — An assurance of excellent service

The Oberoi Group will manage Krishna Oberoi for a twenty year period. The Group has been synonymous with success in hotels. As many as 9 of the chain's 30 hotels in 9 countries figure among the world's top 300 hotels.

Already Krishna Oberoi staff is being groomed in various Oberoi hotels... So, when the hotel commences operations, it will have a full complement well versed in the exclusive Oberoi brand of service — so beloved of travellers round the world.

Booming Hyderabad — Just ripe for a Five Star Deluxe hotel

Krishna Oberoi is ideally located.

Hyderabad is in the heart of India. Besides, it has been rated as one of the fastest growing cities by the Government of India.

With the extensive industrialisation in and around the city... there has been an influx of visitors, many from abroad. A trend that is now further accentuated with international flights landing in Hyderabad.

This of course augurs well for the new hotel.

An excellent investment prospect

With Hyderabad's pressing need for five star accommodation, GVK Hotels — the promoters of Krishna Oberoi — is obviously a good investment prospect.

GVK Hotels is now offering the public a chance to participate in this exciting venture with a Rs. 180 lakhs Public Issue for the Indian Public and Rs. 50 lakhs Equity Issue for Non Resident Indians.

With all its advantages, there's a lot going for Krishna Oberoi. Why not cash in on it?

Issue opens for
Non-Residents: 6th October, 1986.
Indian Public: 15th October, 1986.

Issue Highlights

- 286 room 5 Star Deluxe Hotel in Hyderabad
- Operated by the Oberoi Group
- World-wide reservation facilities through Oberoi Hotels
- 5 Star Hotel facilities scarce in Hyderabad. High occupancy assured
- Exquisitely designed as per international standards
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BusinessWorld
September 29—October 12, 1986

The RBI annual report: brave start to Seventh Plan

The Reserve Bank of India's annual report is invariably the subject of considerable debate and discussion in the national press, and among editorial writers in particular. And rightly so because it provides students and monitors of the Indian economy with a comprehensive picture of the national performance in each major sector of the economy. The bank's annual report for 1985-86 deserves particular commendation because it has been compiled and released earlier than hitherto and also because this time around it is written in a straight-from-the-shoulder style which prevents it from sounding like a propaganda document of the Union government.

The content of the central bank's report matches the style in which it is delivered. According to the report, the ambitious Rs. 3,22,000 crore Seventh Plan has got off to a brave, even if not entirely satisfactory start. Against the targeted 5% annual average growth of real national income during the Seventh Plan period ending in fiscal 1989-90, in the year ended 30th June 1986 the achievement is estimated by the bank at around 4%. Growth in the agricultural sector was about 1% and in the industrial sector 6.3%, says the RBI annual report.

Though there is some cause for satisfaction with the performance of the economy in the first year of the Seventh Plan period which unlike the inaugural year of the Sixth Plan period has not had the advantage of a low base year, the RBI is appropriately dissatisfied. The bank's annual report notes that 1985-86 was the second successive year in which the rate of growth of real national income has been below 5%. The report also expresses particular concern that since 1981-82, when industrial growth rose by 8.6% over the previous year, the rate of industrial growth has not topped 7% in any year.

The primary reason for the unsatisfactory 6.3% increase in industrial production in 1985-86 *cf.* the targeted growth rate of 8%, was the poor performance of the infrastructure industries. Against the budgeted growth rate of 12.1% in power generation, in 1985-86, the actual increase in this sector was only 8.6%. Though the output of thermal — including nuclear — power was 15.8% higher than in 1984-85, hydel power output recorded a fall of 5.3% mainly because of inadequate rainfall last year. As a result the all-India shortfall of electricity as a proportion of demand increased to 7.9% *cf.* 6.7% in 1984-85.

Though the language of the report is characteristically restrained, it is quite obvious that the authors of the report are not at all happy about the performance of the infrastructure industries — particularly the power sector — which are almost entirely managed by the Central and state governments. Warns the report: "The successful implementation of the Seventh Plan depends crucially on the performance of the industrial sector for which an annual growth rate of 8% has been envisaged" though its authors note with apparent approval that a "series of measures aimed at removing the constraints hitherto faced by the industrial sector in achieving a high rate of investment" have been initiated (by the Union government).

Healthy investment upsurge

Indeed, investment by private sector firms and entrepreneurs who tend to utilise funds more efficiently than public sector enterprises, have shown a healthy upsurge in 1985-86. According to the report, disbursements by the three major term-lending institutions (IDBI, IFCI, ICICI) in the recently concluded year at Rs. 3,387 crores were 31.2% higher than in 1984-85. Though unadjusted for inflation, "these data would indicate a rise in industrial investment in the private corporate sector," notes the RBI report.

This stepped-up tempo of investment which is the consequence of the more liberal industrial licensing and capacity expansion policies of the Rajiv Gandhi government in New Delhi, is changing demand patterns within the Indian economy. This is manifested by the fact that the production of consumer durables recorded a handsome further growth of 14.4% in 1985-86 on top of a growth of 19.1% in 1984-85. In particular, the growth rate in the production of motorcycles, scooters and electric fans was higher in 1985-86 than in the previous year.

But the rate of output growth in basic industries such as cement and aluminium was lower than in the previous year mainly because of coal and power shortages though the capital goods industries' output was 3.5% higher than in 1984-85. The intermediate goods industries recorded a healthy rate of growth of production of 10.2% but disturbingly, the output of non-durable consumer goods recorded a growth of only 1.6% over the previous year.

The poor rate of growth in the production of wage goods is undoubtedly linked with the phenomenon of rising prices. The RBI annual report somewhat caustically notes that while the rise in wholesale prices recorded a "sustained deceleration" from 9.5% in 1983-84 to 5.7% (on a weekly average basis), consumer prices in 1985-86 rose by 6.4%, this increase following a similar rise in the previous year. Quite clearly while the largely urban new middle class is improving its standard of living — as evidenced by the rising production of non-durables — life for the vast majority at the bottom of the social pyramid continues to remain difficult because of stagnant output of wage goods and rising retail prices.

Satisfactory monsoon

But quite justifiably, economists in the RBI entertain hopes of the economy attaining its targeted real national income growth of 5% in the current year ending 30th June 1987. This hope is pinned on an increase in food production during the current year. During the past two years, output in the agricultural sector had been adversely affected by poor rains. With the monsoon more satisfactory this year, not only will foodgrains production register higher growth, but it will also facilitate the generation of more hydel power and create downstream demand for non-durable consumer goods, says the RBI report.

The prospects of a spurt in agricultural production apart, there are other developments within the economy which makes the men who manage the country's apex banking institution hopeful about better times to come *viz.*, sizeable foodgrain stocks in the public distribution system, a high rate of domestic savings, a "reasonably comfortable" level of foreign exchange and the country's good credit rating in the international money markets.

Indeed, there is cause for greater optimism than the restrained language of the RBI annual report conveys. The commencement of the process of rationalisation of the entire system of government controls which had stifled the growth impulse in the provenly more efficient private sector, is likely to impact its own logic on the national economic performances. The 4% growth in real national income in the difficult first year of the Seventh Plan — though not wholly satisfactory — holds out the hope that at long last the economy may well have broken out of the stranglehold of the so-called Hindu rate of growth.

BusinessWorld
September 29—October 12, 1986

OPEC's bounty

SIR—Congratulations on your Cover Feature on ONGC (*BW* August 18-31).It is indeed a very dynamic organisation and so is its chairman, Col. Wahi.

However, I must disagree with your presentation of the comparative performance of ONGC and certain other public sector undertakings. One is bound to get carried away by ONGC's net profit figure which is about 10 times that of any other enterprise on the list. But I think there is a catch here.

ONGC made a net profit of Rs. 882 crores on a turnover of Rs. 3,266 crores in 1984-85; a return on sale (ROS) of 27%. The next best in the list, on this criteria, is BHEL at 5%. Even though the figures are not available in your chart, presumably everyone else has an ROS of less than 5%. Indian Oil, for example, is under 1%.

Is it really ONGC's efficiency that gives it such a high profit to sales ratio or is it the machinations of OPEC which are responsible for the same? OPEC has held the world to ransom for the last 13 years and squeezed billions of dollars from all crude-importing countries. Naturally other crude producers, even though not members of OPEC, have also participated in the bonanza. ONGC must be selling its crude to the refineries at a price equal to the landed cost of imported crude in India—hence its astronomical profits.

There are many other examples of such windfall gains. SAIL increases the price of steel to ensure that its plants at least break even. And who reaps 'unearned' profits? Of course, TISCO. Its annual report for 1985-86 shows an ROS figure of over 12%.

In any case, the combined profit of ONGC and IOC is a reasonable 7.4% of their combined sales. I also do not know whether they are working out their profits after taking into account the interest, at commercial rates, on their total investment of Rs.11,498 crores—which works out to a hefty Rs.2,070 crores per annum at the current bank rate. Of course they have depreciated their fixed assets and so the interest cost would be lower to that extent.

Krishan Kalra
New Delhi

Substantial discrepancy

SIR—I read with interest your Cover Feature on NOCIL's megabuck expansion plan (*BW* July 21-August 3) which was both in-depth and exhaustive. However, in the table of petrochemicals' demand projections, you have indicated the actual production of PYF (polyester filament yarn) as 18,000 tonnes for 1984-85 whereas the Handbook of Statistics on the man-made synthetic fibre yarn industry puts the production for the same year at 55,223 tonnes. Although the table has been compiled by you on the basis of the Seventh Plan statistical data, could you kindly throw light on this substantial discrepancy?

V.S. Sivan
Jaipur

Our error. The Planning Commission's production target was 18,000 tonnes. Actual production was 55,223 tonnes. The first column should have been titled 'Targeted production 1984-85' — Editor.

Hardly healing

SIR—This has reference to your Spotlight feature 'Gramophone Co.'s revival effort' (*BW* August 18-31).

It has been mentioned that "the company has been taken over by R.P. Goenka, the tycoon with the healing touch who has nursed companies such as KEC among others back to health." The fact is that after the takeover by R.P. Goenka, KEC has become sick—if the share quotation is any indication. Before the takeover the Rs. 10 shares were ruling at around Rs. 40, while now there are no buyers even at Rs. 16, a fall of more than 60%. One fails to understand the criterion taken into account by the authors while justifying the above observation.

From a journal of *BusinessWorld's* repute, we do not expect a statement which is completely contrary to the actual facts, which is likely to mislead investors.

P.D. Poddar
Bombay

Grievous damage

SIR—This is with reference to your Spotlight feature, 'CMC's brave new world' (*BW* August 4-17).

I was extremely pained to read about my status. I can only say that it is not based on facts. You are welcome to discuss the points given in this article with any staff member of CMC—in a non-threatening atmosphere—to arrive at the truth. Indeed it is my proud privilege to have given CMC a new direction during my short tenure.

I do not know how it is possible to atone for the grievous damage you ha
done me.

P.D. Ja
Bomba

Invented quarrel

SIR—This has reference to the recen
Offstage entitled 'Nirlon's civil wa
(*BW* September 1-14, p. 88).

We are rather surprised that a maga
zine of your reputation did not wish t
verify the facts before publication, eve
though you are aware that you hav
easy and direct access to us and ou
doors are always open to reply to an
questions you may have.

Please be informed that no representative of IDBI has called on Nirlon t
discuss any matter regarding loans, etc.
and there is nothing overdue with IDB
whatsoever.

The so-called 'civil war' between the two cousins, i.e., the two of us, is only a figment of someone's imagination. It has become fashionable nowadays to invent quarrels, etc. where none exist. We could have individually, jointly, or 'alternately' or any way you wanted, clarified this matter with you, had you taken the trouble to talk to us. In fact, there are a few other inconsistencies as well.

The synthetic fibre industry is going through lean times due to inequity in excise duties between filament vis-a-vis fibres on one hand, and overproduction on the other. The adverse market conditions, erratic price situation, etc. are industry-wise phenomena and not applicable to Nirlon alone. We are hoping that the BICP studies on nylon/polyester filament will be completed shortly and government will rationalise duties as required for the survival of the industry and to be competitive and healthy.

We hope that you will be kind enough to publish our letter so that no erroneous impressions are created amongst the general public, government institutions, etc.

Virenchee Sagar &
Manhar Bhagat,
Managing directors
Nirlon Synthetic Fibres & Chemicals
Ltd.
Bombay

IBM agent

SIR—This is with reference to the Offstage item 'IBM's second coming' (*BW* July 7-20, p. 126). I am a computer scientist working at a defence R&D lab n Hyderabad.

I am amused at the speculation about BM's re-entry into India. Well, I've got news for you. IBM has already entered or re-entered India—through the back door! And the key to that back door has been handed over to IBM by none other than the government's own undertaking—CMC Ltd. (formerly the Computer Maintenance Corporation). If you can remember, CMC was originally set up with taxpayers' money to take care of IBM systems in India when IBM chose to walk out of the country.

I will narrate an incident and give you a few facts to make my point. At our lab (which is funded by DRDO) we have a third generation computer system with which we are all happy. We wanted to expand the system and we went through a long 24 month process internally as well as with the department of electronics in New Delhi to obtain an expansion budget of Rs. 25 lakhs. We were 'told' that the equipment for expansion must be supplied by CMC. We figured this was a device to procure business for a public sector enterprise,which was all right by us.

When we contacted CMC and began technical discussions, we soon realised that CMC was not interested in our plan of expansion of a perfectly working computer system. CMC's main interest was to sell us a new IBM system valued at around Rs. 35 lakhs.

What I found most astonishing was CMC's proud submission that it had secured orders valued at Rs. 55 crores for IBM in India. The young enthusiastic CMC representative was kind enough to document orders from organisations such as ONGC (Rs. 12 crores), CMC (Rs. 3.5 crores), Shipping Corporation of India (Rs. 3 crores), State Bank of India (Rs. 13 crores), Bajaj Auto (Rs. 4 crores), TELCO-Pune (Rs. 4 crores). We were even visited by IBM's representatives who are supposed to be in Australia but are in fact in India—and there are 15 of them circulating in this country at any given time.

Now, can anyone tell me that IBM is not in India? I submit it is very much here, through its public sector agent—CMC.

I have nothing personally against IBM or CMC. What I resent are the tactics used by a multinational and a public sector company. This country may well need and/or want IBM computers. But then, IBM's presence should be legitimised. Let IBM compete fairly and squarely with Indian companies.

And for the CMCs of the world, let us get them out of the soliciting business and get into the more serious business of computer maintenance—for which they were set up in the first place.

G. Narayan
Hyderabad

Nehru & Malaviya's contribution

SIR—Apropos the 'Letter from the editor' (August 18-31) which I go through first on receiving my copy of *BusinessWorld*, all well-wishers of developing Indian economy would echo your view that "The contribution of the men who manage—and managed in the past—this organisation (ONGC) to the Indian economy is perhaps immeasurable." True, sir, but it was the foresight of Keshav Deo Malaviya, the late Union petroleum minister in Nehru's cabinet, which created a viable infrastructure for prospecting, drilling and refining crude oil within the country. Ankleshwar and Noonmati bear testimony to this vision of a self-reliant national economy.

Energy holds the key to our very economic freedom. This fact was fully appreciated by that great advocate of planned economic development, the late Jawaharlal Nehru. Even today, the fact the country will sooner or later, have to develop an indigenous capacity for oil processing, holds good. Spot purchases in the world market are not a lasting solution for the problems of energy. It is a tribute to Nehru and Malaviya as much as to the men who manage and managed ONGC that among all the recently liberated and developing countries India alone is in a strong position as regards energy resources.

Devendra Bharati
Nashik (Maharashtra)

Crucial recommendation

SIR—This is with reference to P.C. Luthar's Management article 'Sengupta report perspectives' (*BW* August 18-31, p. 32). The article is authoritative, informative and thought-provoking. The observations made by the author, whose credentials as a change agent *par excellence* have been proved beyond doubt, are revealing and profound.

As one goes through the article one gets the feeling that Luthar knows what he is talking about. His trail-blazing role in turning around DVC, a problem-ridden public sector enterprise (PSE), is considered a legendary achievement. It is not for nothing that his understanding of the working of the ministry-enterprise interface is complete. That the bureaucratic shackles of administering ministries play havoc with the performance of PSEs is a well-established fact. Back seat driving by the high priests of the bureaucracy is the rule rather than the exception.

Viewed against this, the Sengupta Committee's recommendation that the responsibility to Parliament should be discharged by ministers with the assistance of the chief executive of each PSE, is eminently sensible. To me, the recommendation is path-breaking and will have far-reaching consequences. If implemented in letter and spirit, this is bound to transform the nature of a stifling environment into a conducive one.

But there are reports of the Central government having rejected this crucial recommendation outright. Vested interests have once again succeeded in their evil design. It appears that like so many other reports, the Sengupta report might be reduced to an object of academic interest only.

Thanks to the dog-in-the-manger ethos of our civil servants and their political masters, the white elephants (PSEs) are not only there to stay but will also multiply in number. In a scenario like this, would some one please tell me how our PSEs are going to generate Rs. 36,000 crores by way of investible surpluses during the Seventh Plan?

Ashok K. Jha
Patna

Irrelevant Iacocca

SIR—This refers to your Management article 'The Liberty party' (*BW* August 4-17) by Lee Iacocca. I feel it is irrelevant to the Indian context. Writers such as Tarun Gupta should be allowed greater exposure in your magazine than Lee Iacocca.

Sujayendra Das
Calcutta

CORRIGENDUM

On page 53 of the BusinessWorld *issue of September 15-28 1986, two columns of the narrative on Chloride India were inadvertently juxtaposed. The second column should be read first, followed by the first column on the same page. We deeply regret the inconvenience caused to our readers* — Editor

SEPTEMBER 6

The eighth non-aligned summit has set up an African Fund with Rajiv Gandhi as chairman to aid the frontline states and freedom movement in South Africa and Namibia (*BS*).

The death toll in the Pan Am aircraft hijack mounted to 18. Meanwhile prime minister Rajiv Gandhi accused Pakistan of "bungling and ham-handed action" in dealing with the hijackers.

SEPTEMBER 7

Bombay stock exchange has decided to enrol 35 new members by selling new membership cards at Rs. 7.51 lakhs each. With the new entrants the membership will go up to 539 (*ET*).

SEPTEMBER 8

The week long summit of the non-aligned nations has ended at Harare. The summit has adopted a package of stiff "economic measures" to be applied by the international community against the South African racist regime.

The government has decided to wind up the Shipping Development Fund Committee and hand over its functions to financial institutions (*FE*).

SEPTEMBER 9

Prime minister Rajiv Gandhi has asked the public accounts committee of Parliament and state assemblies to catch "crooks" and plug loopholes. The prime minister was inaugurating a two-day conference of chairmen of public accounts committees at New Delhi (*ET*).

The killers of General Vaidya were arrested by the Central Bureau of Investigation at Pune.

SEPTEMBER 10

The ministry of textiles has formulated guidelines for the production and sales of blended cloth in the handloom sector.

The Union government has decided to allow steel pipes and tube units to be set up in "special region districts."

SEPTEMBER 11

According to the Reserve Bank of India (RBI) the rate of growth in real national income in 1986-87 would be at least 5%. This prognostication has been made by RBI in its annual report for 1985-86.

The Union government has decided to send a delegation to Nicaragua to explore the possibilities of bilateral trade and economic and technical cooperation.

SEPTEMBER 12

The newly formed India-USSR Chamber of Commerce and Industry has proposed to set up 100 Indo-Soviet joint venture projects in the private sector by 1990 (*FE*).

The Union government has reduced the amount of fees to be paid along with the revised application forms for the grant of industrial licences from Rs. 2,500 to Rs. 1,000 (*FE*).

SEPTEMBER 13

The Union minister of industry N.D. Tiwari has ruled out privatisation as a remedy for the problems facing the public sector enterprises in the country (*FE*).

According to a report from Goa, the Union tourism ministry has decided to spend Rs. 4.5 crores on 'India Promotion' in the overseas market during the current year (*FE*).

SEPTEMBER 14

The Hyderabad-based Annapurna group of companies has finalised a collaboration with the Fiat Auto SpA, Italy, for the manufacture of 30,000 passenger cars per annum (*ET*).

SEPTEMBER 15

The Centre has imposed a total ban on the duty free import of industrial alcohol with immediate effect (*ET*).

The Union government has decided to rationalise the prices of major industrial inputs. This would help the Indian companies to compete effectively in the international market (*ET*).

SEPTEMBER 16

The finance minister V.P. Singh firmly rejected a US demand that the negotiations on trade in services be included in the General Agreement on Tariffs and Trade (GATT). The minister was addressing a 92 nation, five day GATT ministerial conference at Uruguay, Africa.

SEPTEMBER 17

The prime minister Rajiv Gandhi has asked the small-scale industrial units not to over-rely on protection. The prime minister was speaking at the national convention on small-scale industries at New Delhi (*FE*).

SEPTEMBER 18

Prime minister Rajiv Gandhi announced a grant of Rs. 684 crores for the economic development of Wes
and rejuvenation of its industry

SEPTEMBER 19

The Union minister of stat
nance Janardhan Poojary said
Seventh Plan target of tax co
would be exceeded by Rs. 12,50
The minister was speaking at a
organised to launch the new Mas
scheme for the Unit Trust of Ind

Ratan Tata and Rahul Bajaj
pointed chairmen of Air-India
dian Airlines respectively.

BS=Business Standard, E
Economic Times, FE=F
Express.

NEXT FORTNIGHT

September 29-October 4
Finance for non-financial executives- 20
Venue: Bella Vista, Hyderabad
Organisers: Administrative Staff College of India, Hyderabad (Tel: 36956)

October 4 & 5
Changing trends in industrial rela
Venue: Welcomgroup Adyar Par
Organisers: Madras Manageme
Association (Tel: 478311)

October 6 & 7
Modernisation in cement industry
Venue: Hotel President, Bombay
Organisers: Cement Manufacture
Association (Tel: 2049691)

October 10 & 11
Human resources management
Venue: Hotel Oberoi Towers, Bo
Organisers: XAL Human Growth Centre, India

October 13-24
Programme for statistical affairs
Venue: CIRT, Pune
Organisers: Central Institute of R
Transport, Pune (Tel: 83477)

October 20
Identifying international business opportunity
Venue: World Trade Centre, Switzerland
Organisers: Cooperative Business International

October 16-18
Public enterprises in competitive environment-1
Venue: Bella Vista, Hyderabad
Organisers: Administrative Staff College of India (Tel: 36952)

APPOINTMENTS

IPITATA

(Regd. Office : Joda, Keonjhar, Orissa)

Ipitata Sponge Iron Limited invites applications for the post of

COMPANY SECRETARY

The Company : Ipitata is a professionally managed Company, which has set up a 300 tonnes per day sponge iron plant using the Tisco Direct Reduction Process. It is a joint sector company, the principal partners being Industrial Promotion and Investment Corporation of Orissa Limited., IPICOL, and TATA STEEL.

Qualifications : Membership of the Institute of Company Secretaries of India preferably with a Law Degree from a recognised university.

Experience : Minimum 10 years of experience as a Company Secretary in a similar industry. Should be fully conversant with the rules and regulations relating to issue of shares, bonds, debentures, company deposits and working of share department. The selected candidate should be capable of performing these functions on his own and assisting the Managing Director in matters relating to Company Law, etc.

Age : Between 35 and 45 years

Remuneration & Perquisites : The selected candidate will be offered a very handsome compensation package which will include, apart from basic pay and D.A., full medicare for self and family, P.F., gratuity, LTA, HRA, transport subsidy, etc. The candidate will be posted at the Registered Office of the Company at Joda. All other things being equal, candidates from Orissa will be given preference.

Relaxations will be made in the above stipulations in the case of exceptional candidates.

Please apply to the **Managing Director, Ipitata Sponge Iron Limited, XLRI Campus, Circuit House Area (East), Jamshedpur 831 001** giving full details within a fortnight from the publication of this advertisement.

Candidates called for interview will be paid first class to and fro Railway fares by the shortest route.

PRESSMAN

APPOINTMENTS

NTPC **National Thermal Power Corporation Ltd.**

नेशनल थर्मल पावर कारपोरेशन

(A Govt. of India Enterprise)

Requires

COMPANY SECRETARY

CHIEF LAW OFFICER

for Corporate Office, New Delhi

NTPC — a premier public sector enterprise engaged in constructing and operating a chain of super thermal power stations and the vast associated network of 400 KV transmission lines spread all over the country—is on the look out for dynamic persons for appointment as :

Company Secretary

The incumbent should be graduate & qualified Company Secretary with membership of the Institute of Company Secretaries of India.

The incumbent must possess thorough knowledge of matters pertaining to institutional finance, Company Law, Corporate and Secretarial functions. He should have experience of handling Board matters such as organising Board meetings, presentation of Board memoranda agenda and should have handled these matters independently The incumbent should be capable of organising Company Secretariate at Corporate level for effective functioning and achievement of results and should be competent to cope up with all responsibilities of a Company Secretary in a large Company including statutory compliance under the Companies Act and other Corporate Laws

Chief Law Officer

The incumbent should be post-graduate in law with excellent academic and professional record. The CLO will handle all aspects of legal management at Corporate level including liaisoning with solicitors and counsellors. He must be conversant and have practical experience of handling all legal matters including handling of cases relating to contracts, income tax, labour law, excise, land acquisition, TP Act and civil matters, execution of deeds, conveyancing and drafting of legal documents. He will also ensure compliance with statutory requirements under various Acts, conducting of court cases, arbitration cases, vetting of contracts both national and international and rendering legal advice to other departments/projects.

The incumbents should be working in a senior managerial position in a large industrial organisation of repute and should have atleast 15 years relevant experience.

Pay scale of Rs. 3000-100-3700/-
Preferred age for the job is 45-50 years.

The Company provides an attractive compensation package which includes, besides basic pay, industrial DA, benefits in terms of leased accommodation, conveyance reimbursement, free medical facilities, group insurance, leave travel concession, leave encashment, city compensatory allowance, PF and Gratuity.

Applications giving full particulars including qualifications, experience, age, present designation & Company served may be sent by 4th October, 1986 to :

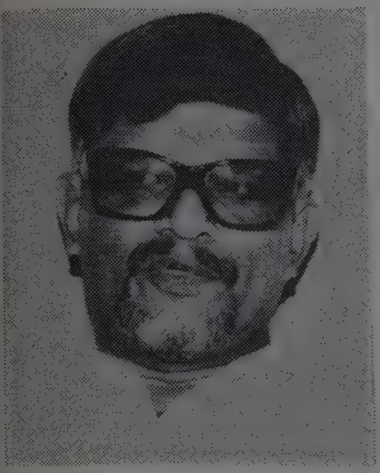
The Director (Personnel)
National Thermal Power Corporation Ltd.
62-63, Nehru Place, New Delhi-110019

Advt. No.PR/11-ER 15/86

BusinessWorld
September 29—October 12, 1986

Second murder

ARUN GANDHI



I don't know why we Indians will not let Gandhiji's soul rest in peace.

I understand both the government of Maharashtra and the Union government are in the process of making grandoise plans to celebrate the golden jubilee of the Sewagram Ashram at Wardha near Nagpur. An appropriately high-powered committee has been constituted and the prime minister has agreed in principle to inaugurate the celebrations on 2nd October — Gandhiji's birthday.

On 25th August this year the committee met at Sewagram Ashram to chalk out a plan. That neither the state nor the Central government considered it necessary to invite any member of the Gandhi family is another matter — probably none of us really deserve to sit on any panel connected with Gandhiji's life or thought. But that these self-styled guardians of Gandhian philosophy should think in terms of spreading his word through sound and light shows and museums is not only disgusting but tantamount to the desecration of the memory of a man who was vibrant and active.

About the only thing all members of the committee agree upon is that after the film *Gandhi* there is a considerable thirst for more knowledge and understanding of Gandhian philosophy among people abroad, though not as much in India. On 25th August 1986, the committee met for the first time to discuss how Sewagram Ashram could fulfil this need adequately after 2nd October 1986.

UNPLEASANT INCIDENTS

The Sewagram Ashram itself has been a museum since 1948 and, significantly, it is almost totally alienated from the people of Sewagram village. That the relationship is pockmarked by some very sad and unpleasant incidents is now history and best forgotten today.

What is even more heartrending is the fact that this once vibrant centre of the *satyagraha* movement — some people in India and abroad even regarded it as the capital of India — has been allowed to degenerate into a tourist spot where people come to see where Gandhiji sat, walked, prayed, ate and so on.

About the only significant activity taking place in Sewagram beyond the ashram premises is at the Kasturba Medical College and Hospital where doctors are being trained for rural health programmes, and a basic education school that, I suspect, has survived till today not because it is imparting any significant knowledge but because there is virtually no other institution in the vicinity offering education.

The members of the committee in their 25th August deliberations were split between the ministers who wanted to install the sound and light programme and put Sewagram on the tourist map of India and the old Gandhians such as Dr. Sushila Nayyar, a former Union minister of health and sister of Pyarelal Nayyar, Gandhiji's secretary, who felt that the peace and sanctity of the ashram should not be destroyed by such extravaganzas.

Dr. Nayyar feels the ashram as a whole and Bapu Kutir in particular still exudes a serenity and is an ideal place for meditation. Tourist traffic and tourist-based programmes would shatter its peace. She is of the opinion that a good Gandhian library and a series of seminars to discuss Gandhian philosophy and find ways of adapting it to present circumstances would be ideal. But before anything else, she wanted the ministers present to commit the government of Maharashtra to the policy of prohibition (i.e. banning the sale and consumption of alcohol).

I recall way back in 1960 when the International Peace Corps movement was at its peak, someone at Sewagram got the bright idea of inviting some West German Peace Corps workers to teach the neighbouring villagers how to make agricultural hand tools. For this the West German government donated a lathe free of charge and two volunteers were sent to Sewagram for the purpose.

EXTREMELY BITTER

I met them almost a year after they were assigned this task and they were extremely bitter. They said they had been twiddling their thumbs for more than 10 months because the ashram management could not get anyone to come to learn, largely, according to them, because the ashram establishment was just not making enough of an effort. On the other hand the ashram officials were extremely concerned about the personal lifestyles of these German volunteers. Though they were living in a cottage outside the Ashram premises they were ordered not to smoke, not to drink and not to eat non-vegetarian food. Up to a point one can understand the officials' concern but when they make this the basis of Gandhian philosophy it begins to sound ridiculous.

Apparently, instructing these German volunteers was not enough. They were continuously spied upon at all hours of the day and night. This is typical of the old guard Gandhians to whom the only important aspect of Gandhian philosophy is abstinence from alcohol and tobacco, vegetarianism and wearing of khadi clothes.

This obsession with what one eats or drinks or wears is typical of most Gandhians and jeopardises the suggestion made by Dr. Sushila Nayyar that the first steps towards creating a Gandhi University should be taken on 2nd October. If there are several hundred research scholars living there how can it be ensured that all of them will observe all the rules and regulations with regard to eating, smoking, drinking and attire? How will they maintain the sanctity of the ashram and Bapu Kutir with so many students, not to speak of the guides, professors and their families and other staff of a university?

What the ultimate decision of the committee will be we will know soon enough. Whatever it is, it will certainly not be anything startling. They are not even on the right track. The fact that Gandhiji's philosophy can be modified to suit present day needs or that the Mahatma was seized with such passions as eradicating poverty, bringing about communal and caste harmony and dealing with such scourges as leprosy does not seem to have any effect on the trustees of the Gandhian philosophy.

Nor are they likely to be influenced by the fact that Gandhiji was as vehemently against any sort of waste which includes the non-utilisation of an infrastructure such as the ashram premises. If there is any way in which the dead can be made aware of what happens after their passing, I am sure Gandhiji's soul would be shedding tears at the thought of crores of rupees being spent on creating lifeless monuments while his countrymen suffer from strife and privations. We have murdered the man already. Why do we insist on murdering his memory as well?

BusinessWorld
September 29—October 12, 1986

BANKING AND FINANCE **JAHAR DAS**

The great computerisation war

In recent times, computerisation of banking operations to streamline services has been very much in the news. But it has injected much acrimony and bitterness in the management-employee relationship in the banking sector. Efforts to work out a *modus vivendi* between the two have remained deadlocked after a series of meetings in Bombay between Indian Banks Associations (IBA) on the one hand and All India Bank Employees' Association (AIBEA) and National Confederation of Bank Employees (NCBE) on the other. The stalemate relates particularly to computerisation in the area of front door banking.

Sea change. Since the nationalisation of the banking industry on 19th July 1969, India's banking sector has undergone a sea change. Before nationalisation the banking sector was class based (financiers of big business) but now it is mass based. Before 1969, it was profit and security oriented but now it is purpose oriented. Today, after the second phase of the bank nationalisation on 20th April 1980, India's 20 nationalised banks control 94% of the total banking operations in India.

The moot point is whether such an enormous public sector banking industry can thrive without the help of computerisation. It is pertinent to note that despite this massive expansion of operations, in terms of profitability the banking industry is doing very poorly, particularly since 1980.

However, the introduction of mechanisation in India's banking industry began two decades ago in 1966 when the IBA entered into an agreement with various unions. Under the agreement accounting machines such as the IBM/ICT Hollerith power samas machine could be utilised for the purpose of ledger and statement posting of current accounts, inter-branch/agency accounts, salary and provident fund accounts, etc.

The IBA, representing bank managements, declared that there would be no retrenchment or undesirable transfers because of mechanisation. The 1966 agreement was to be reviewed in 1968, but not much progress was achieved, as ultra-left trade unionists stiffly opposed even the limited agreement. IBA took up the computerisation issue during the third bipartite settlement of 1979 but no progress could be achieved as all other unions, except the biggest, AIBEA, took an uncompromising stand. While wage demands were settled, agreements on other issues particularly computerisation proved elusive. The matter had to be referred to arbitration but even this failed to resolve the impasse. Meanwhile, the terms of the third bipartite settlement ended on 31st August 1982.

Thereafter, IBA insisted that unless the computerisation issue was settled first, bank managements would not discuss the charter of economic demands of the unions as the basis for starting the talks of the fourth bipartite agreement. Meanwhile, the National Industrial Tribunal, popularly known as the Dighe Tribunal, had permitted the use of computers in the Reserve Bank of India in 1981. Though the conclusions of the Dighe Tribunal paved the way for computerisation of the banking industry, not much headway could be made in the fourth bipartite talks over the computerisation issue. After much dilly-dallying, an agreement was eventually reached between IBA and AIBEA and NCBE and again between IBA and INBEC on 17th September 1983 which granted certain monetary benefits to employees. The unions signing the agreement also agreed to the installation of certain earlier grade computers in the bank to help modernise banking operations.

Recently, however, the AIBEA general secretary (signatory to the statement agreement) said bank managements are trying to violate the agreement reached between the employees' associations and the IBA in September 1983. He said the authorities were implementing the recommendations of the Rangarajan Committee instead of adhering to the terms of the 1983 settlement. He added that the committee did not consult the employees' associations before submitting its report in 1984. Under the terms of the settlement, electric or electronic accounting machines with memory "other than computers" could be installed for front door operations.

Today, the monolithic public sector banking industry in India stands at the crossroads. As the debate over computerisation reaches its crescendo, trade unionists are all set to go on the warpath. As a consequence of the bitterness injected into employee-management relationships, the industry suffers the consequences such as mounting corruption, bewildering bad debts, soaring unrecovered loans and inefficient service.

PUBLIC SECTOR

The ingloriou decline of HMT

HMT Ltd., once described Jawaharlal Nehru as a "jewe among public sector unde takings in the country, appears to ha lost some of its glitter. The compan which boasts 16 manufacturing units a a workforce of 30,000, was rudely thru into the national limelight when t corporation's chairman and managi director T.V. Mansukhani failed to o tain an extension of his term of office a had to make a rather inglorious exit o 4th August after five years at the helm.

Some months before he departed fro the scene — and even as he was makin efforts to get his tenure extended — section of employees queered the pitc by levelling charges of mismanagemen not entirely unmotivated, against hin The allegations would not have gaine much currency or media publicity ha not the disgruntled staff found a crusade in Congress (I) MP, H.N. Nanje Gowda Nanje Gowda, who represents the Has san (Karnataka) constituency in the Lo Sabha, set off a controversy when h wrote a letter in July to the minister o state for public enterprises K.K. Tiwar accusing the public sector company' management of gross inefficiency favouritism, and entering into "shady" import and collaboration agreements.

Nanje Gowda, who took care to re lease the contents of the letter to th press, cited a host of statistics to prove that the company has gone steadily downhill under Mansukhani's leader ship. According to Nanje Gowda, between 1982-83 and 1985-86, though the company's sales turnover increased from Rs. 265 crores to Rs. 381 crores, pre-tax profit had declined from Rs. 37.5 crores to a mere Rs. 8 crores. The return on capital too dropped from 24.6% in 1981-82, when Mansukhani took over, to about 6% in 1985-86 while the percentage of pre-tax profit to sales had plunged from 13% to about 2% during the Mansukhani regime.

Gross favouritism. In support of his contentions Nanje Gowda cited a review of HMT's performance in 1985 by the comptroller and auditor general of India. The MP also charged the company's top management with gross favouritism in the matter of promotions, transfers, postings and recruitment and furnished a few names to add substance to his allegations.

Among the more serious charges Nanje Gowda levelled at the HMT management — which has hitherto retained an autonomy rare to the public sector — is that though it has invested Rs. 50 crores in the last four years on the import of hi-tech machines under its modernisation programme, the downtrend in profit margins on sales turnover "clearly proves that the machines have not contributed to improving productivity and lowering costs."

"Most of the equipment have (*sic*) been purchased from abroad on a single tender basis more for interest of a few top executives by adopting questionable procedures and without assessing actual requirements of each unit. Capacity utilisation of some of the so-called high technology machines imported from Messrs. Kerny Trecker & Marvin (K.T.M.), of UK, Waldrich Couberg of West Germany and Oerlikon Machine Tools, Switzerland, are hardly 20%-25% and have contributed more to increase in cost of production than the other way round," alleged Nanje Gowda.

An even more serious charge levelled by Nanje Gowda against Mansukhani is that "due to uncertain policies and lack of proper manpower, development and career planning about 20 senior executives have left HMT during the last 18 months out of frustration" and that with the imminent retirement of 12-15 senior executives during the next 12-15 months, HMT is likely to experience a severe shortage of top-level personnel.

Ten days after Nanje Gowda went to the press with his caustically worded letter, HMT issued a press note which while being silent on the charges of favouritism and nepotism levelled against it by the MP, reeled off statistics to show that "HMT's performance during the five year period, from 1981-82 to 1985-86, has surpassed its cumulative performance, in all critical areas, over the 26 year period from its commissioning in 1955-56 to 1980-81." And after making the point that the company had "never sought to be judged or projected on the yardstick of profitability alone," the HMT press note went on to state that the company had to date earned a cumulative net profit of Rs. 239 crores.

"Of this, Rs. 138 crores was earned in the last five years. The company generated resources worth Rs. 157 crores during the last five years which again compares favourably with the sum of Rs. 117 crores generated during the period 1955-56 to 1980-81. This apart, the company's entire capital investment of Rs. 115 crores made during the Sixth Plan was from its internal resources and commercial borrowings and without any funding from the government..."

HMT Bangalore. Inset: Mansukhani

Major programme. According to the HMT press note, far from having stagnated technologically, during the past quinquennium the company launched a major programme to modernise its older machine tool plants and watch factory at Bangalore at a cost of Rs. 52 crores, simultaneously with a drive for updating its product range. "It has further developed, through its own efforts, several CNC machine tools. Further, 27 new machine tools are in various stages of development and slated for commercialisation in the next three years," says the HMT official release.

The company's overall profitability in 1985-86 was eroded, says the company press note, because of such factors as poor inflow of orders for specialised and custom-made machine tools, power cuts in many units, and additional liability on account of bonus and dearness allowance.

Incensed by this press release, Nanje Gowda shot off another letter to Tiwari in which he implied that the sales figures cited by HMT look impressive because inflation has not been taken into account. He also charged the company with misleading the public and Parliament by making out that it was not able to meet the production, sales and profit targets for 1985-86 because of having to replace machines under an on-going modernisation programme which places emphasis on developing the company's watch and tractor units. Says Nanje Gowda in his letter: "The real fact is that no old watch unit or tractor unit was under modernisation during 1985-86 and, in fact, the old watch units and tractor units have done exceedingly well during 1985-86. The Hyderabad-based units (both machine tools and lamps), Ranibagh watch unit, battery project (in Assam) and, marginally, other machine tools units have contributed to the shortfall in production and sales."

When contacted by this correspondent, Nanje Gowda said he will shortly be sending another letter to K.K. Tiwari detailing HMT's "shady" import deals and collaboration agreements. He was also sceptical of the viability of the company's new projects. Mansukhani, when approached for his reactions, characteristically declined to comment, while HMT's acting chairman and managing director, G.V. Appa Rao, hitherto director (machine tools) of the company, likewise was unwilling to be drawn into conversation. "I do not want to add to the confusion and controversy," he said. "If you are committed to writing about HMT at this point go ahead and write your piece."

In the pits. While no one disputes the fact that in terms of profitability HMT is down in the pits, it is debatable whether Mansukhani and his team are entirely to blame for this sorry state of affairs. As a public sector organisation, HMT often has to abide by the dictates of the Union government in the matter of making fresh investments, diversification into new areas and even on the location of new ventures. Thus the company's disastrous lamps (i.e. bulbs) manufacturing project in Hyderabad with Hungarian collaboration and the siting of its new Rs. 45 crore watch components manufacturing unit in Ranibagh — a backward district of Uttar Pradesh — were both political rather than economically sound decisions. This apart, other political decisions such as the liberalisation of imports has adversely affected capital goods industries in the country.

Nonetheless Mansukhani is partially guilty of the sin of complacency for his failure to heed the innovations in machine tool technology abroad and failing to anticipate the surge in domestic demand for hi-tech machine tools. As a consequence the percentage of machine tools procured by industry from domestic manufacturers has dropped from a high of 86% in 1978 to 60% in 1985. HMT has no doubt since taken up the manufacture of CNC machine tools but these require to be outfitted with certain key sub-systems which are not manufactured in this country.

Unfortunately, while the import of such sub-systems attracts *ad valorem* customs levies ranging between 81.5%-117.8%, the machine tools themselves are allowed to be imported under OGL by the payment of a mere 35% import duty. This naturally places indigenous machine tool manufacturers at a disadvantage and Mansukhani had expressed mild disapproval of this irrationality. But typically of an individual who has served an entire lifetime in the public sector, Mansukhani was too restrained in his criticism of the government — in retrospect a failure which has rebounded on him.

But true to type, though Mansukhani was inclined to handle the all powerful *netas* and *babus* in New Delhi with kid gloves, he was not as considerate about the finer feelings of his colleagues in HMT. According to top-level insiders who had the experience of working with him, Mansukhani was inclined to be brusque, dictatorial and arbitrary and placed little emphasis on team work. In particular Mansukhani is reported to have perfected the art of sidelining senior managers who exhibited the slightest tendency to steal his thunder by emerging as corporate stars in their own right. In his letter to Tiwari, Nanje Gowda cites several examples of competent executives being moved around like pawns on a chessboard and in particular exemplifies I.K. Amitha, the individual who successfully stabilised HMT's highly successful diversification into the watch manufacturing industry.

Cautioning error. In mid-1983, Amitha, whose division had contributed over 95% of HMT's Rs. 19.61 crores pre-tax profit earned in 1980-81 and almost to the same extent in 1981-82 — a fact of life in HMT highlighted by *BusinessWorld* in a Cover Feature (August 2-15 1985) — was transferred to the corporate planning division of HMT. According to Nanje Gowda, Amitha's error was to caution against committing more than Rs. 20 crores to the Ranibagh watch unit. Events have proved Amitha — now the Bangalore-based vice president of the Tata-promoted Titan Watches Ltd. which is licensed to manufacture 2 million watches per annum — right.

Quite clearly morale in HMT is low. The circumstances of Mansukhani's exit and his curious reluctance to rebut the grave charges made against him indicate that all is not well within this company which still enjoys the status of a jewel in the rusty crown of the public sector. But though the criticism of Nanje Gowda and the HMT unions is probably well intentioned, there is a danger of the dead hand of the Union government descending heavily on this still technologically and culturally strong company which has attained its growth in relative freedom from governmental interference. If it does, the development will compound rather than solve the problems of this blue chip public sector company which is going through a bad phase.

N. Raghavan in Bangalore

AVIATION

The heat of competition

Quite suddenly, Air-India, the nationalised airline which is among the world's most profitable, is suddenly feeling the heat of competition. Even as the top management of the national airline which shows the Indian flag in five continents is about to be reshuffled as a consequence of snafus relating to the prestigious VVIP flights it operates, the stage is being set for a battle royal in the fast growing domestic market for transcontinental air travel.

The Air-India management has been expanding its fleet cautiously. Fortunately the much-publicised Airbus 300-310 has expanded the airline's capaci by a mere 10% because a score of forei airlines are fast gearing up to beard t Maharaja in his own den. Not only ha these transnational carriers rapidly e panded passenger and cargo carryi capacities manifold, both eastbound an westbound, in recognition of the rich p tential of the Indian market, but a fier marketing war to win the hearts an minds of Indian transcontinental trave lers has been declared.

KLM's de Graauw: growing traffic

The air is also thick with recrimin tions, as a no-holds-barred price war wi offers of huge illegal discounts has als broken out, provoking the Union go ernment into threatening a full-scale i vestigation of the finances of foreig airlines. Meanwhile, the travel trade an the discerning customer are certainly n complaining about the enticing induc ments being heaped upon them by th pick of the world's airlines such as KL Japan Air Lines (JAL), British Airway Air France, Lufthansa, Thai and Pa Am among others.

Sudden spurt. Although not a few of th big names in this business have bee battling Air-India on its home turf fo many years, the past few months hav witnessed a sudden spurt in their a tivities. For example with effect from 1 September, KLM, the Royal Dutc airline, launched its third weekly flig on the Delhi-Amsterdam sector wit much fanfare. The significance of th event is underlined by the fact that this is the first turnaround flight on this sector, implying that KLM managers consider the demand for airline seats to be enough to warrant dedicated capacity of a full B-747 on the Delhi-Amsterdam-Delhi route.

"Over the last year or so, the volume of traffic has been growing steadily and attractively enough to warrant such dedicated flights. With our aim being to promote Amsterdam as a destination in itself and as one of the best gateways to Europe and North America, we are virtually doubling our existing capacity on this route. We are extremely confident about the potential," says Henk de Graauw (38), general manager of KLM for this region which typically consists of India, Nepal and Bangladesh. Ironically, though Air-India and KLM operate as joint agents in each other's countries, Air-India has suspended its flights to Amsterdam since 1984.

Keeping in step is the West German airline, Lufthansa, which augmented its capacity on the Delhi-Frankfurt sector in May 1986 by replacing the DC 10 it had been operating with the much larger B-747. With four of the eight flights scheduled by Lufthansa every week now converted into turnaround flights, its operations in this country are no small potatoes either.

Comments Werner Heesen (37), the airline's Delhi-based deputy area manager: "We are convinced that this is the second largest market in the Far East after Japan for air travel. As it has always been our aim to set the pace, we have hiked our India-Europe passenger capacity by 35% this year. It is perhaps too early to comment on the outcome, for the pointers are conflicting. But I think our outgoing flights are operating at near full loads." According to reliable airline sources Lufthansa is planning to convert one of its flights into Bombay into a turnaround operation as well.

Yet, these developments can be seen in their proper perspective when the fact is taken into consideration that British Airways has no less than 14 flights a week to London, through Bombay and Delhi, of which nearly six are turnaround flights. Even Air France has now increased the number of its operations to seven flights a week to Paris, although none of them originate or terminate in this country. Undoubtedly these disparate facts indicate a massive expansion of capacity on the India-Europe sector. But even in the India-US sector, deregulated US airline companies are scrambling for a higher share of the growing Indian market.

Great market. Not only does Pan Am operate seven flights a week dedicated to the India-US sector, but after a lapse of nearly a decade, TWA has also jumped into the fray. In addition, Air Canada has recently commenced operations on the India-Canada route. The optimism of K. Hemrajani (47), manager, Pan American World Airways, is patently discernible despite the adverse publicity the airline received after the recent Karachi hijack of a US-bound Pan Am airliner. "We are seriously examining the possibility of introducing two more turnaround flights from New York to Bombay and one more to Delhi by April 1987. We also think that Calcutta is a rich market which is not being tapped. India as a whole is a great market, for our figures show that we carried 44% more outbound traffic this year than last year," says Hemrajani. This, notwithstanding the keen competition from TWA, which has four weekly flights ex-Bombay on the same route, all of which are turnaround flights.

And, to complete the picture, it is also clear that traffic on the eastbound sectors too is increasing. Not only do most carriers from Europe passing through to destinations such as Singapore, Tokyo, Seoul and Hong Kong report high load factors, but a plethora of Asian airlines are also slugging it out for a major share of the market.

Comments Vivat Boonyavanich (52), general manager (India) of Thai Airways: "We operate five flights a week to Bangkok out of this country including three turnaround flights from Calcutta. Our load factors are always very high and although the market is fast peaking at Bombay, other centres still have a high potential. But the competition is intense." And so it ought to be with JAL, Cathay Pacific, Korean Airlines, Singapore Airlines — not to speak of Air-India — offering a growing number of seats in this sector.

Although it would be tempting to attribute the massive expansion of airline capacity to an unexpected boom in tourist traffic this year, to do so would require a willing suspension of disbelief. Although tourists have started trickling in earlier than usual this year, due to a variety of factors, the political problems that plague the country have left their mark. "The real boom is in the ethnic traffic both ways, with more Indians venturing out and more NRIS visiting home. And above all, businessmen are filling up the airplanes flying in and out of the country," says a well-informed travel agent.

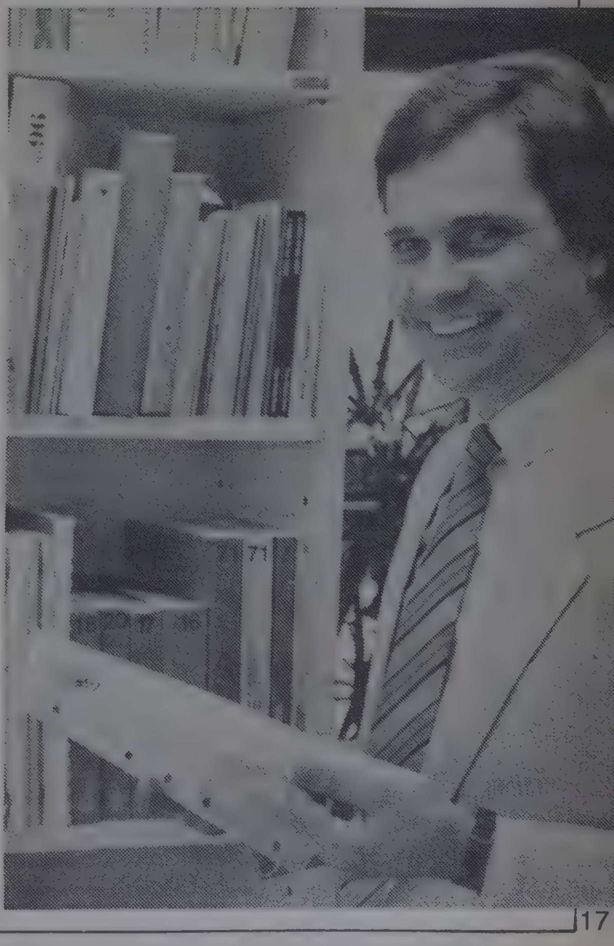
Welcome development. For airline managers, this is a more than welcome development because the margin per seat from the so-called full-fare passengers travelling either in the first or business class is much higher than on other seats. With the fare structure on every route virtually dictated by the International Air Transport Association (IATA), airline managers have to come up with unique selling propositions (USPS) which they publicise to attract custom. To wit: "Schiphol airport at Amsterdam is one of the best in Europe for transit facilities and duty-free shopping. Our business class travellers have no need to wait for check-in or for baggage — they are just whizzed through," says a KLM spokesman.

Or: "We are, all over the world, known as the airline for businessmen which is an image that we had not just cultivated, but earned. In terms of technical reliability and on-time performance, Lufthansa is tops," brags a Lufthansa spokesman.

Chips in an Air France spokesman: "We have an excellent product which offers probably the latest business class facilities on any system. At our Charles de Gaulle airport, we also offer an Indian Welcome Service where two Indian ground hostesses take care of any problems that a passenger may have."

It is now *de rigeur* for every major airline not just to offer vegetarian but Indian-style meals on all international flights originating or transiting through India. In this context, it is evident that the strategy of every airline appears to be

Heesen: full loads



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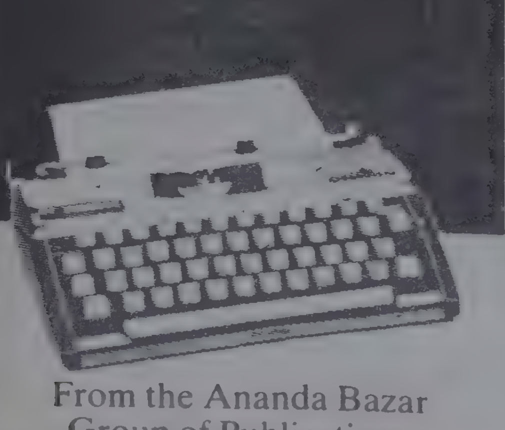

From the Ananda Bazar
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to draw customers away from Air-India which has earned a reputation for its specialised, typically Indian service.

But beneath the tinsel and the glamour, an age-old problem is cutting the ground from under the feet of managers of all the airlines, including Air-India. "So long as IATA rules exist, discounting will always be resorted to. The only problem is that as it becomes increasingly prevalent, yields on each seat sold will diminish even though flights may be full. And when a full-fledged discount war breaks out, everybody loses," says Vivat of Thai Airways (quoted earlier). It is hardly a secret that although IATA rules permit commissions of 9%-12% to be paid to sales and general sales agents, this forms the basis of undercutting. Officially of course not a single airline admits to under-the-table discounting.

Complex methodology. Yet, as Hemrajani of Pan Am says, "If a travel agent foregoes part of his commission to sell a particular airline's tickets, there is nothing the airline can do. The problem is that most airlines encourage the practice and compensate the agents in roundabout ways. Nowadays too, most discounts are paid out in cash to the buyer which means black money is generated." Indications are that a complex methodology is used to offer discounts of up to 40% on certain routes.

Among the various practices that are in vogue are the use of middlemen to show on paper that commissions are being paid; half fare tickets to children over 16 years of age; cash discounts; and the like. And all the foreign airline companies are unanimous in their opinion that Air-India, even though it enjoys considerable operating advantages, is as guilty as the next airline of the practice of fare discounting. "Actually, it is not quite done for the domestic airline to discount in its home territory. But here there is no doubt that it is Air-India which has provoked the current discount war," says the knowledgeable travel agent — who requested anonymity — quoted earlier.

Though a series of inter-airline meetings have recently been held at Air-India's behest to discuss ways and means to check fare discounting, nothing much has come of them. Nevertheless it is strange that Air-India is unable to match the lower fares and more frequent services that most foreign airlines are offering, particularly in the case of charter flights. If the target of 2.5 million foreign visitors that the Seventh Plan is aiming for by 1990 is to materialise, then augmented air travel capacity including charter flights and tours are inevitable.

That the Air-India management is position to take a few risks is indicate the airline's bottomline — Air-Indi one of the most profitable airlines in world, thanks mainly to the petering-out Gulf boom. Indeed, gi its slow reflexes and bureaucr decision-making processes, it is doub if Air-India can withstand the treme ous competitive pressure being appl by foreign airlines which are scrambl for customers flying out or into Inc The only comfort that it can draw up are the facts that as a conservative a nationalised airline it has greater stay power, and the inexplicable — inde irrational — loyalty to the airline of Indian ethnic traveller whose tribe increasing.

This loyalty has remained unshak despite the best efforts of the airlin supercilious ground and in-flight perso nel and all the other ills a public sect corporation is heir to. But given the siduousness with which foreign airlin are wooing the Indian traveller, A India's management would do well not take this loyalty for granted.

Anand P. Raman in New Delhi

ECONOMY

Bitter political harvest

Trade and industry in Ahmedaba have been through a lot in recer times. The communal trouble betwee 9th and 20th July was one of the wors instances of the kind. The toll was mor than 50 dead, hundreds injured an scores of shops burnt. As if this was nc enough, just when things were returnin to normal, there was a heated con troversy regarding a procession o Janmashtami day (27th August) whic threatened to disrupt the peace onc again. Fortunately better sense prevaile and since then — till the time of writin — there have not been any untowar incidents.

The textile industry is the backbone o the city of Ahmedabad and in the past riots have not adversely affectec the operations of the mill sector t any significant extent. "Ahmedabad' textile mills had the distinction of no having had a strike or closure due t reasons like riots in the last 50 years, says M.D. Rajpal, executive director o the Ahmedabad Textile Mills Associa tion (ATMA). A retired IAS officer who ha worked as secretary to various ministrie in the Gujarat government, rising to the

Riot hit street in Ahmedabad. Inset: Kania

position of chief secretary, after which he served as managing director of Gujarat State Fertilisers Co. (GSFC) before joining ATMA in 1977, Rajpal is a worried individual these days.

"The closure of all textile mills on 12th July at the behest of religious leaders is certainly a bad sign," says Rajpal, referring to an unprecedented call of religious leaders in the state for a Gujarat *bandh* as a consequence of which all the textile mills in the city remained closed for one day.

The loss of production to the mills is estimated by ATMA at Rs. 3.50 crores. But more than the money loss, the fact that the textile mills — for which abstention from strike action was one silver lining in their current weakened condition — may have an industrial relations problem in the near future, is what perturbs Rajpal. "Moreover, the losses of the textile industry will also have a far-reaching impact on the city's economy," he adds.

Adverse effect. That such disturbances have a long term adverse effect on trade and industry is now coming home to most businessmen. In particular, traders in the walled city have become painfully aware that they are at the losing end in every little breach of law and order that takes place. "The shopkeepers in the walled city who can afford to do so are moving to the western suburbs where there is relative peace. The development of the city is also taking place in that direction. Those who cannot or are unwilling to go west will find life increasingly difficult," says Chandrakant Kania, the secretary general of the Gujarat Chamber of Commerce and Industry (GCCI).

One more effect of frequent breakdowns in law and order in the city according to Kania, is that the people who hitherto came to the walled city to make their purchases are increasingly taking their custom elsewhere. This will of course help the process of decongesting the walled city — though hardly in a desirable manner.

Of course, now that the dust has settled again, such fears do not seem as real as they did two months ago; but it does not take much to scare Ahmedabad's citizens these days. Just a few violent incidents, and panic is quick to spread. Moreover, it has been seen that with every subsequent riot, the fear psychosis makes deeper inroads into the public psyche, and it takes longer each time for the resumption of industrial and commercial activity. If such breakdowns of law and order become endemic, there could be a flight of capital from Ahmedabad and perhaps Gujarat as a whole.

Yet even as the capital of the country's second most industrialised state flounders in a sea of troubles, the resilience, fortitude and work ethic of the people of the city are admirable. The way in which industrial and trading activities have been resumed would provide little evidence of the harrowing times witnessed during the past few months. People move around and shop freely and the fear psychosis which had gripped them appears to have vanished. Yet this is the consequence of a stoical acceptance by the people of the incompetence of the state's politicians.

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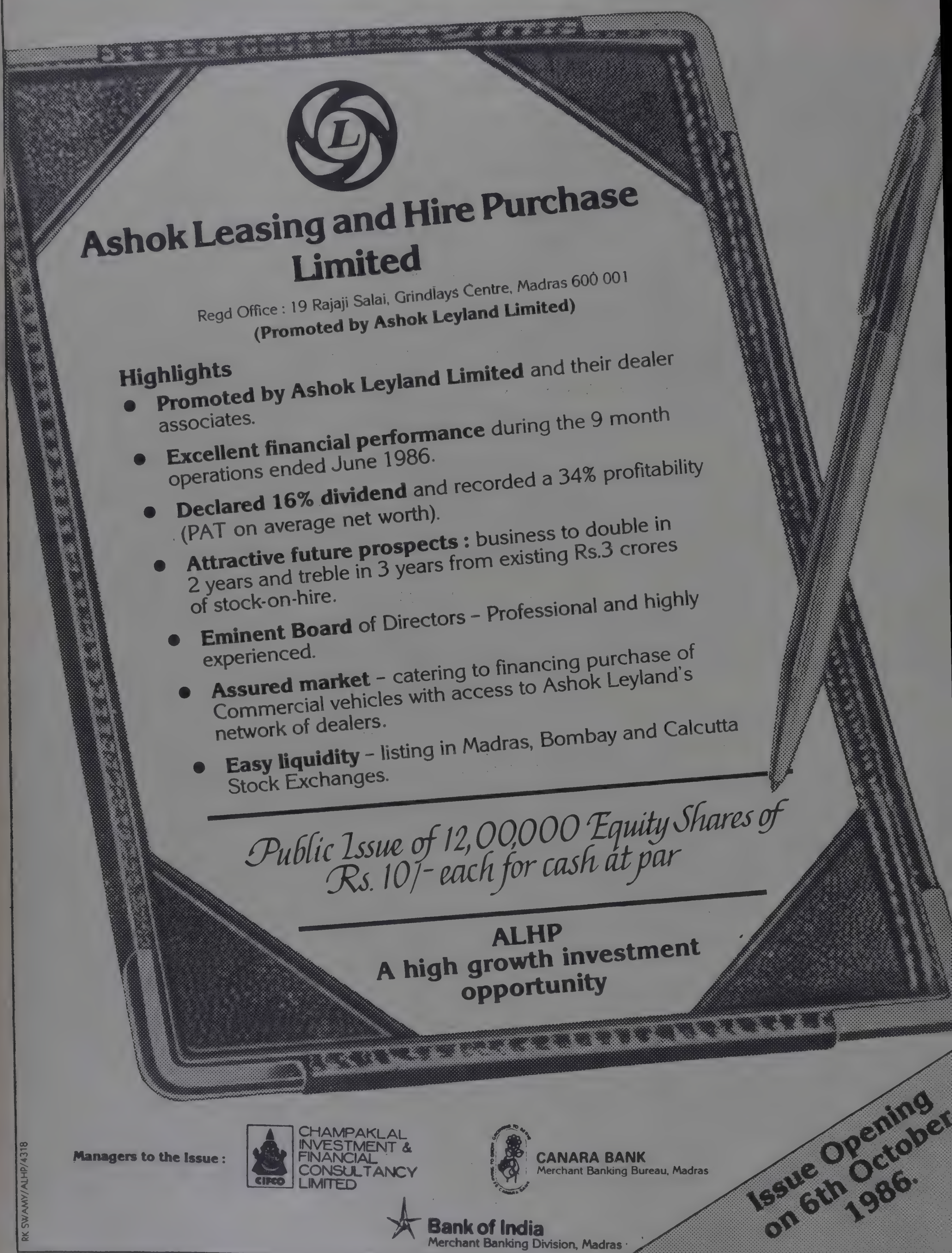

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Routine breakdowns. Though for local citizens the breakdown of law and order has become almost routine, for the people from mofussil areas who come to Ahmedabad to make their purchases, the situation is difficult to stomach. "Our business is down to 50% below normal," says Gopal Saraiya who owns a perfumes and *pooja* goods shop on Gandhi Road, the main business area of the city. "And this (fall in business) is because people from the villages have now stopped coming to Ahmedabad to make purchases. They now buy their requirements from shops in other towns which are less violence-prone," he laments.

For consumers in the city however, these frequent breakdowns of law and order have had one beneficial effect. Traders in the walled city now believe that they have a lesser number of working days than their counterparts on the western banks of the river Sabarmati — these areas are not usually affected during the riots — and so to achieve a higher turnover and to attract customers they have slashed their prices to unbelievable levels. This is particularly so in the case of durables, especially television receiver sets and other electronic goods. This way the consumer gains, but there are murmurings from other traders regarding such "unethical practices." But traders within the walled city who have lost at least one day's business out of six, ever since the beginning of 1985, believe they have no other way of recouping at least a part of their lost earnings.

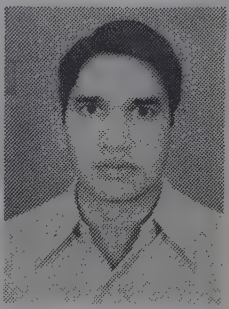
But though the trade in Gujarat has a tremendous ability to weather storms which would sink their counterparts elsewhere in the country, industrial development in Ahmedabad and the state has certainly received a setback. Quite clearly the causes of the current crop of troubles that the citizens of Ahmedabad are bitterly harvesting, are rooted in the complex and byzantine manipulations of the state's politicians who seem bent on vitiating the great advantage the state enjoys in terms of an enterprising population imbued with a healthy work ethic.

If there is unanimous agreement on any subject in contemporary Ahmedabad, it is that deep-seated political rivalries and animosities within the gaggle of nondescript politicians who rule where the Mahatma once reigned, are responsible for the precipitous decline in the fortunes of industry and trade in the state. And unless a respect for law and order miraculously crystallises within the community of the state's politicians, those in industry and trade in the state are likely to lead uncertain lives.

Yamal A. Vyas in Ahmedabad

ECONOMIC COMMENT **NARENDRA M. APTE**

Steps in the right direction



The enactment of a provision to tax only income earned and not notional income, the introduction of a single uniform accounting year for all assessees, the establishment of a national court of direct taxes (which eliminates references to high courts) and the imposition of mandatory interest and additional tax to replace penalties are some of the measures proposed to be taken by the Central government for simplification and rationalisation of the country's direct tax laws.

It is instructive to examine the proposed measures from the angle of tax compliance costs. These are the costs incurred by taxpayers or third parties while complying with the requirements of a particular tax or the tax system as a whole. They consist of (i) money costs; (ii) time costs; and (iii) what may be termed 'psychic' costs.

Simple & comprehensive. The government should recognise the importance of keeping down compliance costs as one objective to be taken into account along with others. Therefore, it behoves a government to make its taxes as simple and comprehensible as possible for the benefit of taxpayers and to reduce compliance costs. Fortunately, the long term fiscal policy of the government has already made it clear that this will be done and it is a welcome step.

After simplification and rationalisation, and with the declared policy of giving encouragement to honest taxpayers, the government needs to devote its attention to reducing administrative costs while at the same time ensuring that the income tax officers (ITOs) are able to devote more time to assessing the returns of high income earners.

The national court of direct taxes proposed to be set up will be beneficial to the income tax department as also assessees, as it promises cohesive decisions and ensures quick settlement of disputes and early finalisation of tax proceedings. The costs of litigation can also be expected to decrease, giving relief to many assessees. It would, however, be necessary to ensure that experienced and learned judges sit on the national court of direct taxes, as otherwise it would create more problems than solutions and defeat the spirit underlying the body of the proposals.

The introduction of a common financial year (April-March) for all assessees is not a very sound proposal and requires re-examination. A large number of assessees, including all companies, trusts and corporations have to get their accounts audited for submitting their returns of income. Apart from this there is also a provision for tax audit. A uniform accounting year would mean mass adherence to very strict time schedules which will put auditors as well as assessees under considerable strain simultaneously. This may also cause considerable inconvenience and involve additional expenditure for assessees. It would, therefore be advisable to permit four accounting years, ending on 31st March, 30th June, 30th September and 31st December instead of only one. Change of the accounting year should be allowed only once in 10 years so that this option is not misused.

The proposed decision to withdraw the discretionary powers of ITOs regarding the imposition of penalties is a welcome step, although it is doubtful whether it would do any good to take away the powers of ITOs to extend the time for filing returns. The administration of income tax laws will henceforth be reasonably easy, both for the department as well as the assessees if the rates of penalty are reasonable.

Right direction. The government's acceptance of its liability to pay interest to taxpayers when refunds are delayed is also a step in the right direction. However, taxpayer education, which includes informing the taxpayer of his obligations and rights under tax laws, is an area which has still not received adequate attention from the government. Such an education would not only reduce tax compliance costs but would also help the government to augment its revenue.

Tax law language and concepts under the law are always quite confusing and complicated affairs. There is an obvious scope for investment in this area too. The proposed measure to do away with the concept of 'notional' income from house property therefore makes sense.

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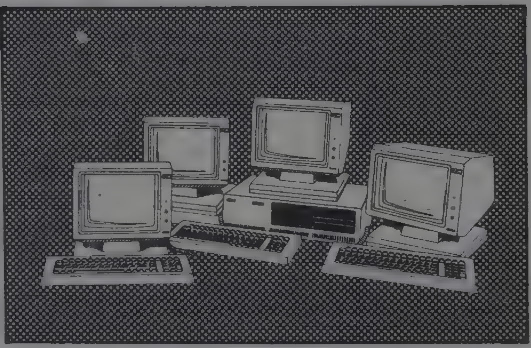

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Exporters' concessions

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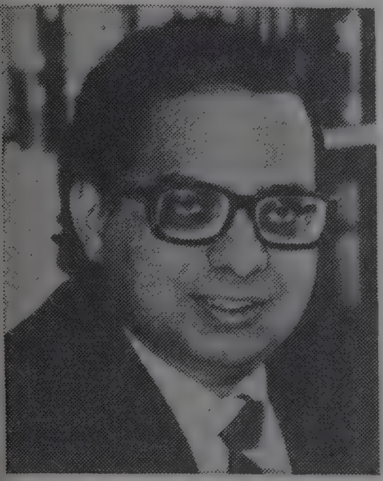


With India's export drive showing no signs of getting off the ground, it is hardly a matter of surprise that there is a growing concern about the widening trade gap and the pressure on the country's foreign exchange reserves. Somewhat belatedly an awareness that nations such as Japan, South Korea and Taiwan have heavily subsidised their exports to enable their manufacturers to compete in the international markets, is dawning on the Indian consciousness.

In this country, apart from export subsidies and customs and excise duty exemptions available for exports, the Union government has also used the fiscal instrument to boost exports by legislating several tax concessions to exporters. These concessions have been considerably liberalised last month (August) by amending s.80-HHC of the Income Tax Act, 1961. When this section was originally introduced, 1% of the export turnover and later 5% of the incremental export turnover was exempted from income tax. With effect from the assessment year 1986-87, the benefit is linked with export profits rather than the export revenue of a firm. Consequently half the export profit is proposed to be exempted from income tax if such amount is transferred to a separate reserve.

BASIS CHANGED

The Taxation Laws (Amendment and Miscellaneous Provisions) Act, 1986, has totally changed the basis of granting the relief for and from the assessment year 1987-88. Under the new provisions, the deduction is to be based both on turnover and the profit, provided the export profit exceeds 4% of export turnover. In this connection it needs to be pointed out that s. 80-HHC applies in cases where goods or merchandise, other than mineral oil, minerals and ores, are exported out of India. Further, the amount is to be receivable in convertible foreign exchange.

Under the new amendment, the deduction is to be 4% of the net foreign exchange realisation and, if the export profit is higher than that figure, 50% of the profits in excess of 4% of the aforesaid amount would further be deductible. However, the aggregate of the aforesaid two figures cannot exceed the total profit derived from exports. Under this amendment, 'net foreign exchange realisation' has been defined to mean the total f.o.b. value of exports out of India of goods and merchandise to which this section applies, as reduced by the aggregate of the cost, insurance and freight value of all categories of import licences to be issued by the chief controller of imports and exports, government of India, to which the assessee is entitled during the previous year, either against export obligation or against exports as replenishments.

'Convertible foreign exchange' is defined to mean foreign exchange which is, for the time being, treated by the Reserve Bank of India as convertible foreign exchange for the purposes of the Foreign Exchange Regulations Act, 1973. A circular (dated 22nd June 1983) has been issued by the Central Board of Direct Taxes (CBDT) to clarify that receipts of sale proceeds in non-convertible rupees from bilateral account countries (for example Russian roubles) will be treated on a par with sale proceeds received in any other convertible foreign exchange for the purposes of s.80-HHC. In other words, if exports are made to rupee-payment countries such as the Soviet Union, Poland, Czechoslovakia, Rumania, etc. the export earnings would be deemed to have been in convertible foreign exchange and, therefore, the benefit of s.80-HHC would be available.

The further condition under s.80-HHC is that an amount equal to the deduction, which is claimed under the section, has to be debited to the profit and loss account of the year in respect of which the deduction is to be allowed, and credited to a reserve account, to be utilised for the purposes of the business of the assessee. Strange as it may seem, subsequently the CBDT by its Circular No. 463 dated 11th July 1986, decreed that this condition would not be infringed if dividends are distributed out of such reserve.

EXPORT PROFITS

What is most important to note is the definition of 'export profits' as given in ss.(3) of the revised version of s.80-HHC. A perusal of the sub-section makes it clear that in the case of a taxpayer whose business consists exclusively of exports, the actual profits of the business would be eligible for the deduction. Such export profits are to be determined as provided under ss.28-44 of the Income Tax Act, 1961.

Past carried forward losses will not be deductible in computing such profits which are eligible for the tax benefit.

> **'In this country, apart from export subsidies and customs and excise duty exemptions available for exports, the Union government has also used the fiscal instrument to boost exports by legislating several tax concessions to exporters.'**

In other words, the relief will be granted on the current year's profits and, therefore, a further deduction would be available for past losses which are carried forward under s.72 of the Act.

The profits from exports have to be determined only in cases where export houses deal exclusively in exports. In the case of any other company, the export profits are to be determined having regard to the proportion that the export turnover bears to the total turnover. For example, if the export turnover is 15% of the total turnover, the export profits which would be deemed to arise and which would qualify for rebate under s.80-HHC would be 15% of total profits. In such a case, the actual profits made on exports would be ignored and in fact, the deduction would be available even if a loss is actually made on the exports.

In conclusion, it may be pointed out that in the case of an export house, the question of claiming the deduction under s.80-HHC would be relevant only if a profit is made on the export of goods or merchandise. If in a given year there is no such profit, the benefit of 4% of the net foreign exchange realisation cannot be carried forward to subsequent years, as there is no provision for this in the amended s.80-HHC.

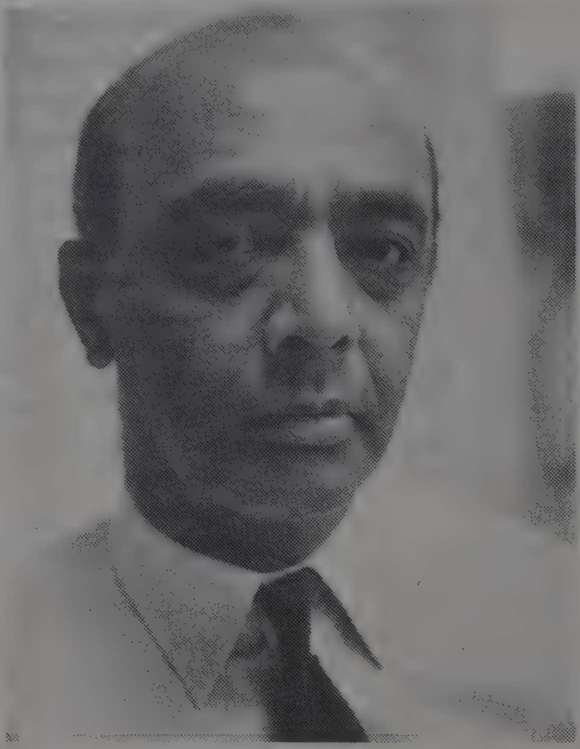
ICIM's new chief

According to an industry estimate, the aggregate sales turnover of India's indigenous computer manufacturing industry is currently only a paltry Rs. 150 crores per annum — minuscule by international standards. The much-vaunted blueprint to leapfrog into the era of hi-tech electronics drawn up by Planning Commission and department of electronics bureaucrats ensconced in their ivory towers has to be seen in this perspective. Clearly, India's nascent computer industry still has the proverbial miles to go before it can seriously consider graduating into the ranks of the big league computer manufacturers' fraternity.

Notwithstanding the best efforts of the public sector Electronics Corporation of India Ltd. (ECIL) which has been around (manufacturing computers amongst other goods) for over a decade, the country's largest computer manufacturer is still the Bombay-based International Computers Indian Manufacture Ltd. (ICIM — sales: Rs. 39.1 crores in the year ended 30th September 1985). The company is an affiliate of the British giant, International Computers Ltd. (ICL), which decided to dilute its shareholding to 40% in the post-FERA era and retain a manufacturing toehold in India rather than emulate IBM by closing shop.

Third phase. With effect from 1st August, ICIM has a new chief, recruited strangely enough from the public sector. On and from that date, Major General (Retd.) Shyamal Ghosh (58), who retired from the position of chairman and managing director of Bharat Electronics Ltd. (BEL) in July consequent upon his attaining the age of superannuation, joined ICIM as its managing director for a five year term. With this job, Ghosh begins what he describes as the third phase in his career — the first two having been spent with the army and with BEL.

An alumnus of Presidency College, Calcutta, Ghosh discontinued his scholastic pursuits prematurely in 1949 to join the armed forces of the then newly independent nation in response to a call from the then Brigadier (now Field Marshal) Cariappa. As such, he has no formal education in electronics, although in the course of his career as a service officer, the several non-degree technical courses and training programmes he attended both in India and abroad ensured that he was adequately informed of more than the basics of this knowledge-intensive industry. ICIM had been scouting around for some time for a chief executive to replace the existing expatriate incumbent and Ghosh was sounded out last year. It was only in June that he finally made up his mind.


Ghosh: considerable strengths

Ghosh is confident that ICIM will be able to retain its position as market leader in the increasingly competitive marketplace for computers. Apart from ECIL, his main competitors — as he sees them — are Hindustan Computers Ltd., Wipro, DCM, ORG and the new entrant, Tata Burroughs Ltd. "One of the strongest assets of ICIM is its extremely well-trained, qualified and highly motivated managerial team. On both the technical and marketing fronts, we have considerable strengths. Also our computer manufacturing facility at Pune is one of the most modern of its kind," says Ghosh who has already visited all of ICIM's offices since assuming office.

At the moment, Ghosh is in Britain attending a six-week orientation programme at ICL headquarters. He will assume full charge upon his return in mid-October. Conveniently for Ghosh, ICIM will have then just begun its financial year 1986-87. It is likely that — with true military panache — Ghosh will get his show going from day one.

SUJOY GUPTA IN CALCUTTA

New Ball game

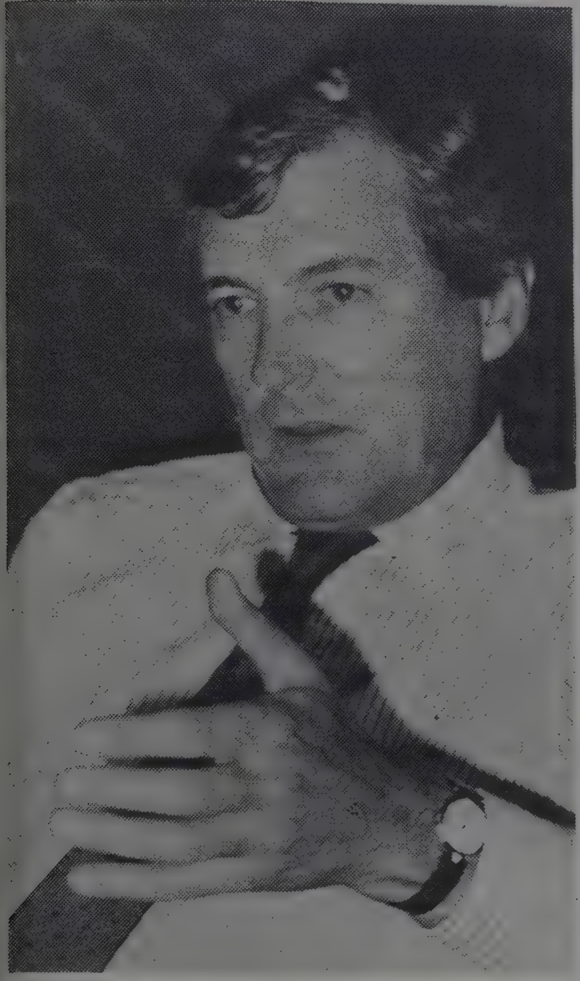
A top level change has been effected in Ogilvy Benson & Mather Pvt. Ltd. (OBM— gross billing: Rs.18.10 crores in the year ended 31st May 1986). Michael Ball (50), chairman of OBM since
1971, is making room at the apex lev
the Bombay-based advertising ag
for a successor whose appointment is
likely to be disputed. With effect f
12th September, the legendary D
Ogilvy assumed office as the
chairman of OBM — a development w
has caused ripples of excitement wi
the high profile indigenous adverti
fraternity.

Yet, if currently OBM is among the
three advertising agencies in the cou
in terms of annual gross billings, n
little of the credit for planning
nurturing the growth of the agency ne
to be given to Ball. In the 15 years du
which he was chairman of OBM, the c
pany's billing has ballooned from Rs.
crores in 1970-71 to Rs.18.10 crores
1985-86. And the company's bala
sheet which was then awash with red i
indicates a healthy pre-tax profit of
75.80 lahks in its recently conclu
year.

Long association. A theology and
graduate of Melbourne University w
joined the Ogilvy Group in 1961,
began his association with OBM in 19
after Ogilvy & Mather (UK), purchase
controlling interest in S.H. Benson (U
which had a 40% shareholding in S.
Benson (India) Pvt. Ltd. Looking b
on his long association with the Ind
member company of the Ogilvy Gro
Ball attributes the agency's drama
turnaround and growth to three ma
factors: the purchase of 60% of OB
shareholding by the agency's employe
the induction of a more effective prof
sional management into the agency, a
a rigorous emphasis on training
personnel at all levels.

"Way back in 1971 it was not easy
sell the equity shares of the company
employees, but the task was accom
lished after some persuasion and I b
lieve that the better operatio
performance of the company since th
is not unrelated to the fact that OBM ha
sizeable number of employee sha
holders. I am also convinced that t
appointment of Mani Iyer as managi
director of the agency in 1974 has co
tributed significantly to the profita
growth of OBM's business. Mani is n
only an efficient professional himse
but he also recruited a large number
other professionals into the agen
whose skills were sharpened by cons
tent and thorough training programm
for creative, accounts and media perso
nel," says Ball.

Looking ahead, Ball foresees a ve
bright future for the agency. "Next yea
OBM will become the second largest a
vertising agency in India in terms of gro
billings. But this is hardly a performan



Ball: more selective

measurement yardstick because for some time OBM has not been seeking quantity but quality advertising opportunities. In future the agency is likely to become even more selective in its choice of accounts and our growth will result from the growth of larger clients such as Cadbury's, Pond's and Richardson Hindustan, among others. While it would not be true to say that we are not interested in high potential small accounts, OBM is unlikely to be interested in unprofessional advertisers," says Ball.

As for his own future, while as chairman emeritus of OBM, Ball (who will henceforth be based in Australia), will retain some live links with the Bombay-based agency, his major pre-occupation is likely to be the new company promoted by him in conjunction with the Ogilvy Group. The Ball Partnership will consist of six independent companies with limited liability in Australia, Hong Kong, Singapore, Malaysia and Thailand and is the consequence of Ball having purchased 60% of the shareholding of Meridian, an Ogilvy Group company.

Comprehensive services. "The name of my venture has been deliberately chosen," says Ball. "The idea is that these companies will work as partners of our clients providing comprehensive communication services to build their businesses. And one of the associate companies of The Ball Partnership is OBM. We already have a gross annual billing of $ 45 million," says Ball.

Quite obviously an individual who is always on the ball.

DILIP THAKORE IN BOMBAY

Messenger from Hanover

In recognition of the growth of Indian industry over the past four decades and arguably, its burgeoning export potential as well, in 1984 India was awarded for the first time the status of 'partner country' at the Hanover Fair.

Regarded as the world's premier showcase for industrial technology in the 20th century, participation in a massive way at Hanover provided unique international exposure of the 150 public and private sector companies which showed off their wares that year, with contracts and contacts materialising in plenty. Yet, barely two years later, just five Indian companies participated in this prestigious annual fair despite the undeniable necessity to boost industrial exports, completely eroding whatever headway had been made in the past.

Little wonder then that a rather puzzled Dr. Klaus E. Goehrmann (48), chairman of the Hanover Trade Fair Co. (sales: DM 208 million or Rs. 128 crores in 1985) which organises over a dozen international fairs held round the year at Hanover, recently flew into the country to ascertain the cause thereof. A trained economist and marketing specialist, the youthful Goehrmann, who played a key role in ensuring that India was nominated as partner country at the Hanover Fair in 1984, made it clear that he was not here to sell space. "With the fair getting bigger and better every year, nearly 6,000 exhibitors from over 50 developed and developing countries are slated to participate in next year's Hanover Fair; and as usual, we are booked out," he says.

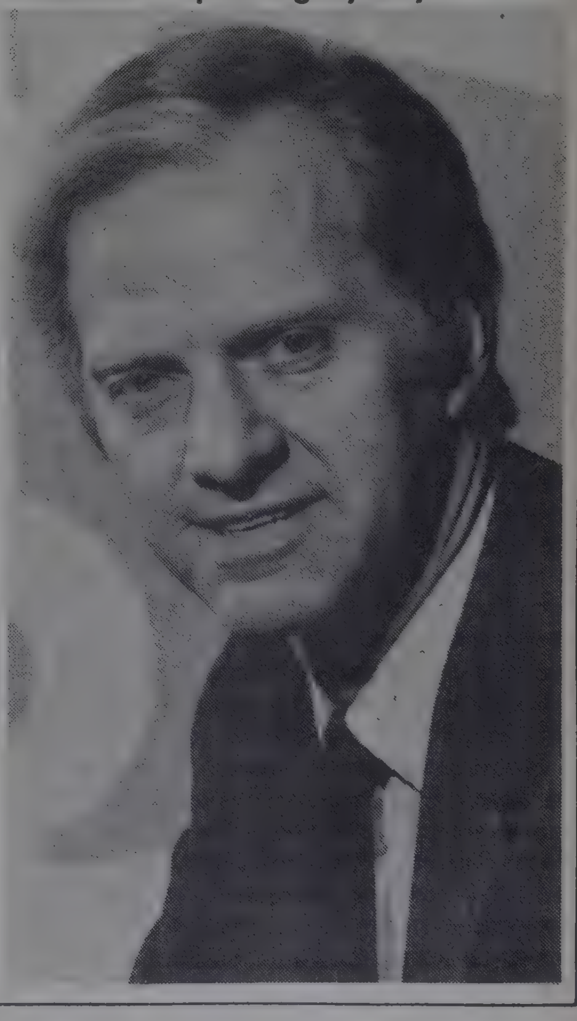
Lack of interest. Nonetheless Goehrmann is more than interested in solving the mystery of the sudden lack of Indian interest in the Hanover Fair since 1984. "To the best of my knowledge — and I think your industrialists appreciate this — the partner country experiment was a tremendous success, establishing that India had 'arrived' on the industrial map of the world. However, unlike, say, Brazil which had over 100 companies' stalls in its partner country last year and has 150 companies participating this year, your country's interest in Hanover has completely fizzled out," he says.

Even if Goehrmann does have a certain amount of self-interest in luring Indian companies to the Hanover Fair, his implicit argument that India needs to sustain its presence in Hanover is valid. In the 40 years since it was first held, this international trade fair has blossomed into one of the most influential and mammoth events of its kind, with millions of business visitors from all over the world making the annual trip to the Hanover Fair into something of a ritual.

"In view of the fact that both exhibitor and visitor numbers are continuing to rise, the fair has been divided into two stages. While the Hanover Fair CEBIT highlights the world market for office, data and telecom equipment and technology, the Hanover Fair Industry (HFI) concentrates primarily on exhibiting industrial goods," explains Goehrmann.

While the HFI '87 will be structured into 12 distinct product categories, each constituting a separate trade fair in its own right, the display will extend over 23 indoor halls plus a huge open air site: a total floor area of more than 400,000 sq. metres. "As Indian companies will vouch, I don't think you can get better facilities or more exposure than at Hanover. In fact, I believe that although participation at Hanover is not cheap,

Goehrmann: puzzling mystery



the benefits of doing so far outweigh the costs," says Goehrmann.

Extensive discussion. With Goehrmann making it a point to meet industry representatives as well as representative organisations such as FICCI, ASSOCHAM, AIEI and the Indo-German Chamber of Commerce and Industry, the point he came here to make has certainly been driven home. "I think a little bit of initiative on the part of the government as well could do India's export drive a lot of good," he says. Fortunately, Goehrmann held extensive discussions with the top bosses of the Trade Fair Authority of India (TFAI) with a view to making them take the initiative in ensuring Indian participation at fairs such as Hanover. "We know and understand each other perfectly because we are in the same line of business. I think the TFAI could help industry overcome its diffidence," he says, pointing out that on his part he was willing to do anything to make things easier for Indian participation.

Although the red carpet has been rolled out for Indian industry to persuade them to break out of the all powerful embrace of the domestic protected market, it remains to be seen if rich opportunities such as Hanover will continue to be bypassed. With the whole policy of liberalisation once more under fire, the timeliness of Goehrmann's reminder cannot be overemphasised.

ANAND P. RAMAN IN NEW DELHI

Hyderabad's new attraction

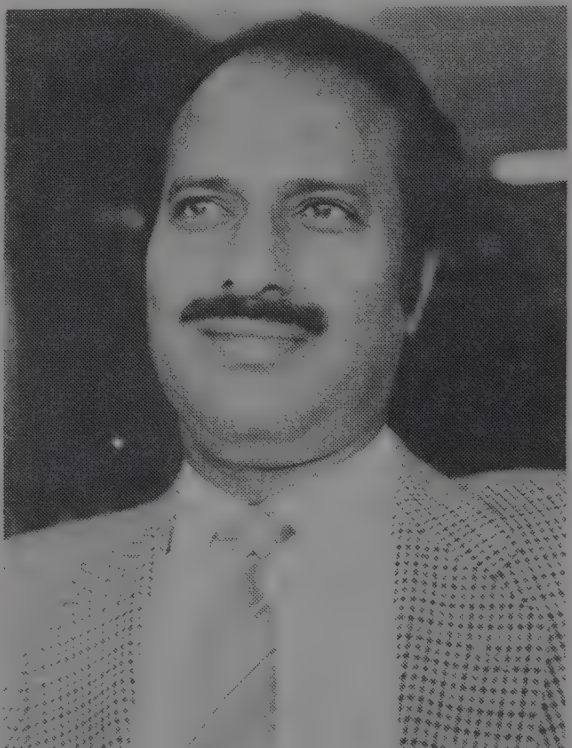
Despite the fact that Hyderabad is well on its way to becoming an important business centre, the growth of hotel accommodation in this fast growing city has not kept pace. While 3 to 5-star hotels have been springing up like mushrooms in a tropical forest in cities such as Delhi, Bangalore and Ahmedabad, Hyderabad's only upmarket hotel — the 120 room Banjara — can't cope with the demand as evidenced by its 100% plus average occupancy.

However, with the construction of a new 300 room luxury hotel in Hyderabad, the situation is likely to change and businessmen may well find Hyderabad an attractive — and comfortable — city to visit. The new hotel, nomenclatured the Krishna Oberoi, is a joint venture of the Oberoi group and the newly promoted GVK Hotels Ltd., which will open its doors for business early next year.

"Spread over nine acres of land with beautiful landscaped gardens designed by I.M. Kadri, the well-known architect, besides having a large ballroom, three conference halls and an executive club, Krishna Oberoi offers additional attractions which no other hotel in the country offers — golf, riding and tennis facilities and, apart from the hotel swimming pool, two private pools attached to two super-luxury suites," says G.V. Krishna Reddy (49), the Hyderabad-based chairman and promoter of GVK Hotels Ltd.

This is Reddy's first major venture. An entrepreneur who began his business career by managing his family's agricultural and construction businesses three decades ago, Reddy has personally supervised the construction of the hotel, which is situated in Hyderabad's prestigious and lovely Banjara Hills.

Prudent management. "Our construction cost per room is less than Rs. 8 lakhs, which had it not been for prudent management could easily have ballooned to Rs. 10-11 lakhs given current land prices in Hyderabad. Therefore all things considered, our project cost of Rs. 21.6 crores is low," says Reddy with evident satisfaction.


Reddy: new luxury hotel

While the construction and design of the hotel has been done by the construction companies within the GVK group, the management will be the function of the Oberoi group. Under the terms of the agreement between GVK Hotels and Oberoi Hotels Pvt. Ltd., the latter will offer management services at cost for the first two years and thereafter at a fee equivalent to 12% of net profit.
Oberoi Hotels, apart from the com
sion the company will receive,
Krishna Oberoi will add another lin
the Oberoi chain and show the c
pany's flag for the first time in S
India.

The Krishna Oberoi has been finan
by promoters' contributions of Rs.
crores, term loans from the financia
stitutions (IFCI, ICICI, IDBI) of Rs. 1
crores, with the remaining Rs.
crores proposed to be raised by way
public issue of 23,00,000 equity share
Rs. 10 each at par. Out of this, 18,00
shares will be offered for investmen
the Indian public on 15th October
5,00,000 to non-resident Indians on
October.

Reddy dismisses Hyderabad's o
other hotel, the Banjara (recently tal
over by the Ajit Haksar-promoted
dotels chain) as not being in the sa
class. "Although the occupancy rate
the Banjara is admittedly high curren
this doesn't worry me. Our room ta
will definitely not exceed Rs. 700
night compared with Banjara's Rs. 7
In fact, calculating on the basis of
average room rate of Rs. 575, and
occupancy rate at a conservative 55
we have projected a sales turnover
the first year (1986-87) of Rs. 6.30 cro
and a pre-tax profit of Rs. 59 lak
which will rise to Rs. 12.71 crores wi
profit at Rs. 3.89 crores within five yea
In fact, our break-even point is just 45
occupancy on an annual average basis
says Reddy.

Reddy is confident that Hyderabad
the right choice for his first venture in
the now highly competitive upmark
hostelry business. "With internation
flights now landing regularly
Hyderabad, higher tourist inflow and th
return of many Indians from the Gu
countries, Hyderabad is well on its wa
to becoming a major city. All this augu
well for GVK Hotels' business. Beside
with the experienced management of th
Oberoi group, I expect the Krishn
Oberoi to do very well indeed," sa
Reddy.

MANJEET KRIPALANI-MADON IN BOMBAY

Big-time ambitions

Though a relative parvenu in the TV
group of companies — the compan
was promoted in 1962 while the TV
group was founded in 1911 — Sundarar
Clayton Ltd. (SCL) which manufacture
automotive two-wheelers, relays an

castings, can probably stake its claim to being the flagship company of the group. And the recent announcement of its plans to diversify into newer lines of business is likely to enhance SCL's standing and position within the group, which itself is among the 20 largest industrial houses in the country with its annual aggregate sales turnover of over Rs. 450 crores.

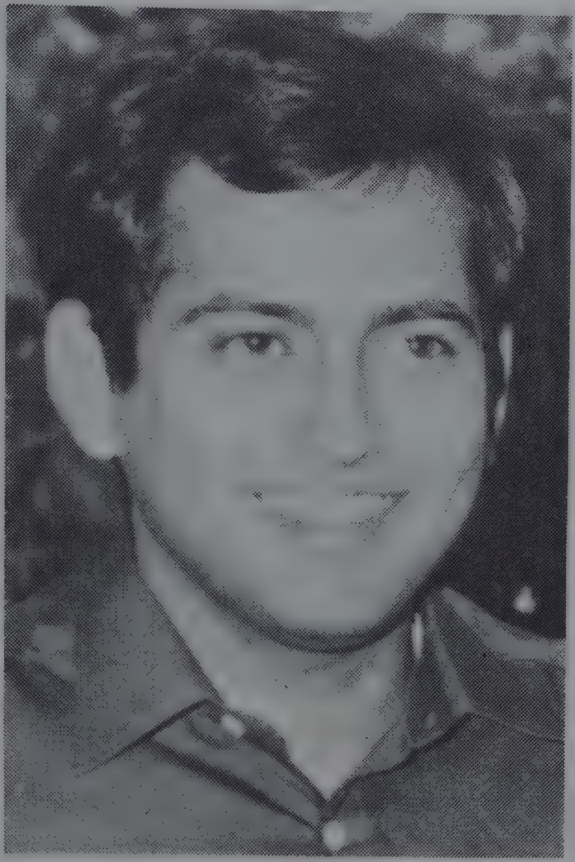
SCL's ambitious diversification plan was formally unveiled at a press conference at Madras on 16th August, in conjunction with the announcement of the operational results for the year ended 31st May 1986. In the recently concluded year, the sales turnover has jumped by 30.3% to Rs. 90.61 crores from Rs. 69.53 crores in 1984-85 while earnings before depreciation, interest and tax rose to 12.66 crores from 10.50 crores. However post-tax profit rose by a more modest 8.7% to Rs. 4.74 crores.

Explains Venu Srinivasan (33), a mechanical engineering graduate of Madras University with a master's degree in industrial and business administration from Purdue University (USA): "This is because capital investment has been rather tardy. We could not avail of depreciation and investment allowances to the extent desired because of certain delays in shipment, etc."

Whopping growth. This does not detract from the fact that SCL's operational performance has been good. Though the sales of the brakes division, the company's oldest division, climbed only by about 11% to Rs. 28.88 crores, moped division sales zoomed upwards by 34.5% to Rs. 56.63 crores and the newly started railway products division has tracked a whopping 273% growth though the low sales base helped.

According to Srinivasan, the sales contribution of the brakes division is likely to be modest in the current year as well because of the sluggish growth of the heavy vehicles sector. And though the mopeds segment of the automotive two-wheeler market has a snail's pace growth, the company's management is confident that it will continue to expand its market share at the expense of its competitors. "In fact, the growth in the recently concluded year has been largely due to the success of the company in grabbing a larger share of this segment of the automotive two-wheeler market. With a further increase in the sales of the railway division again, I expect SCL's sales turnover to cross the Rs. 100 crore mark and close at Rs. 110 crores in the year ended 31st May 1987," says Srinivasan.

To ensure that the company does not lose its growth momentum, the SCL management has drawn up its expansion and diversification plans aforesaid. In pursuance of the plan, the expansion of capacity in the moped division to 2,50,000 units per year has already been implemented. As a consequence in 1986-87 SCL hopes to sell 1,60,000 mopeds *cf.* 1,38,000 in 1985-86. Says Srinivasan: "We will be bringing out two new moped models by the end of the year. In addition, we are also working on a third model which we plan to launch next year. For this, we will have to depend on our own R&D as it is difficult to get acceptable knowhow from others. At the same time, the improvements will have to be made with marginal increases in cost as the market is very competitive."


Srinivasan: ambitious plans

The success story of the moped division has undoubtedly spurred the SCL management to think in terms of diversification into other unrelated areas. SCL has applied for — and received — letters of intent for the manufacture of computer peripherals (such as printers, winchester and tape drives and keyboards), uninterrupted and switch mode power supply equipment and laundering and washing equipment. In addition, an application has also been made to the Union government for a licence to manufacture 5 lakh refrigerators and 1 lakh compressors for which an affirmative response is expected in the near future.

If all these licences are received the aggregate investment in these projects is estimated at Rs. 46 crores — Rs. 15 crores in peripherals and UPS field spread over the years, and Rs. 31 crores in

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BusinessWorld
September 29—October 12, 1986

the washing and refrigerator projects. A new company based in Pondicherry is in the process of being promoted for the manufacture of the washing machines and refrigerators. Negotiations with "a well-known American consumer durables manufacturing company" are being conducted with a view to commencing commercial production by July 1988. While collaboration agreements with Edgar Corporation, USA, have been finalised for the manufacture of power supply equipment, a technical collaboration deal for the manufacture of computer peripherals is being negotiated, says Srinivasan.

With all these projects on its drawing board, SCL, rated by several well-informed monitors of the industrial scene in Madras to be the most dynamic of all the TVS group companies, seems all set to put the issue beyond all doubt.

CHANDU NAIR IN MADRAS

Luggage industry challenger

The competition in the moulded and software luggage industry, which is already quite intense, is likely to hot up to fever pitch in the near future. The traditional rivalry between Blow Plast Ltd. (sales: Rs. 48 crores in the year ended 31st July 1985), and Universal Luggage Ltd. (sales: Rs. 30 crores in the year ended 31st May 1984) which has intensified with the return to India of luggage industry high-flyer Sashi Dash as chief executive of Universal Luggage — (the Bombay-based Safari Industries Ltd. — sales: Rs. 12.75 crores in the year ended 30th April 1985 — currently occupies third position) — is likely to intensify further with the entry into the business of Krishna Luggage Industries Pvt. Ltd. (KLI).

On 8th September, Ashok T. Budhrani (46), a mechanical engineering graduate of Kumasi University, Ghana, addressed one of the most well attended business press conferences in recent times in Bombay, to announce the launch of a new range of hard and soft luggage under the brand name Airbus. Budhrani, a non-resident Indian with business interests in West Africa and Europe, has been spending a lot of time in India since 1983 and claims 20 years of international experience in the luggage marketing and manufacturing business. During the last three years, KLI has constructed a hard and soft luggage manufacturing factory at the MIDC Industrial Estate at Satpur in Nasik district.

Budhrani: "one of my main objectives is to compete in the international market"

"The range of luggage we propose to manufacture includes lightweight yet very durable ABS (acrylo nitrile butadiene styrene) moulded luggage and briefcases; PVC soft luggage including suitcases and totes; fibre board luggage and Italian-style cabin trunks. The overall quality design and finish, based on French designs of the Airbus range which we have already commenced manufacturing, is truly up to international standards, not currently available in India," says Budhrani.

Most modern. According to Budhrani, KLI's factory despite being set up with second hand machinery imported from the Dupuy Gallimartel (which manufactures the Airbus range of luggage in France) plant in Bordeaux is India's most modern moulded and soft luggage manufacturing plant.

"Though the average life of the plant is almost seven years, this is the very plant on which I underwent on-the-job training in France and I am convinced it will deliver the kind of quality luggage that Dupuy Gallimartel, France — which is very keen on buying finished products from us — will purchase. Most of the machinery has been manufactured by the well known Huber & Co., Switzerland, and the plant also incorporates new machinery from France, West Germany and the Far East. One of my main objectives is to compete in the international luggage market with companies based in Taiwan and South Korea, which currently dominate the world market. This is why though we are under no obligation to the government of India to export any percentage of our production, we have set our sights on exporting 50% of our annual output," says Budhrani.

Budhrani believes that one of the major advantages that KLI enjoys over competition is that the ABS used for luggage is being made from extruc printed and laminated sheets which currently being produced by company's associate firm, Radhekris Plastic Industries Pvt. Ltd., Igatpur also a company promoted by n resident Indians i.e., the Ghana-ba Gope T. Budhrani and the US-ba Jairman Nandwani.

"A close association which has alre developed between Krishna Lugg and Radhekrishna Plastics, will ena us to blend our raw materials as market demand and also to keep costs of production under strict contro says Budhrani, who adds that KLI ho to manufacture 4 million units of lugg within the next three years when company will attain an annual sa turnover of Rs. 10 crores.

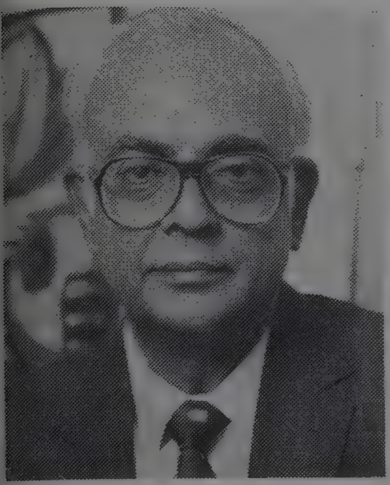
Excellent response. "There is a hu market in India and abroad for the ki of luggage that we propose to ma facture. In my opinion, the size of Indian market is easily Rs. 200 crores. light of this, our ambition of attainin sales turnover of Rs. 10 crores over next three years is modest. We have t up our raw material supply sources a the initial response to our products fr the trade and from consumers has be excellent. I am confident that not o will the Indian consumer get a good d as a consequence of KLI's entry into t industry, but the market as a whole w expand," says Budhrani, adding that has no plans of going public until he h "proved" himself — and the viability his newly promoted company.

DILIP THAKORE IN BOMBAY

BusinessWorld
September 29—October 12, 1986

Managing succession

S.K. BHATTACHARYYA



It can safely be surmised that in three out of five large and medium-sized companies (other than family-managed companies or subsidiaries of large multinationals which have a large cadre of expatriates to be nominated to the job)—with say an annual sales turnover of Rs. 50 crores and above—the current chief executive is deeply concerned about identifying the person who will succeed him.

In many such companies, the chief executive is soon likely to cross the normal superannuation age, say 58 years or in any event, is likely to retire in a year or two. The reason why such succession problems arise is that the chief executive feels—and usually the board of directors and the major shareholders agree—that none of the secondline product group or functional service department heads are really chief executive material and therefore, cannot be regarded as potential successors.

The usual argument advanced is that their capabilities are functional (e.g. in areas such as finance, personnel, research and development, engineering, etc.) or operational (e.g. production, marketing, purchase, etc.). It is also said that they do not have an overall business perspective, or broader level understanding of the external environment and marketplace to be able to effectively discharge the role of the chief executive. This, of course, begs the question "why so?" But more of this later.

USEFUL INSIGHTS

Before we explore the question as to how the issue of succession in top management echelons needs to be addressed, one might gain useful insights relating to the current situation which has led to the endemic non-availability of chief executive level material in Indian companies.

In the first instance, the boards of directors of India do not usually assume the primary role that is attributed to them in many other countries, particularly in the West. It is a common understanding in these countries between shareholders, the financial institutions and banks, and the controlling shareholders' groups that the primary responsibility for hiring, firing, nominating—and developing—the chief executive is that of the board of directors.

In Europe, where the two-tier board system is common, the supervisory board has been described in legal terms as the body clothed with the authority of appointing (or nominating) or terminating the services of the chief executive. The legal authority of the supervisory board is closely related to the leverage derived from this right of appointing or retiring the chief executive. It is, therefore, able to formulate policies and strategies and discuss organisational performance-related questions with the chief executive, and in turn, provide him with the required advice, direction and guidance. This assumes that the chief executive, who is not only a member of the supervisory board but also heads the operating board, shares the anxieties and concerns of the supervisory board in areas of strategies and policies, and also responds to them by way of management plan and action.

This close relationship also enables the supervisory board to leave operational management issues to the operating board with the understanding that when they assume strategy or policy proportions, they will be referred to the supervisory board. Consistent failure to perform or breach of the conventions relating to the strategy and policy formulation role carries the possible penalty of being fired from the chief executive's job.

The Anglo-Saxon corporate law framework of Britain and the US, which we have adopted in India, does not provide for two-tier boards of directors, while at the same time non-executive members of Indian boards do not perceive their role to include development, selection and appointment (and if necessary, dismissal) of the chief executive. At best, they visualise their role as one of approving the candidate who has been sponsored by the controlling shareholders' group or the financial institutions.

LARGE CADRE

It is interesting to note that succession problems are more frequently and more intensely experienced by shareholder-controlled and board-managed companies as compared to subsidiaries or associate companies of large multinationals and family-managed business houses. The identification and appointment of the chief executive in the first category (i.e. multinationals) is left to the parent company abroad which has a large cadre of expatriates to step into the vacant position. In the second case (i.e. family-managed companies) the choice is left to the senior members of the family—thereby relieving the board of directors from the responsibility of identifying the new chief executive.

One of the basic considerations which needs to be reflected upon in our corporate law and management practices is that this responsibility of the board of directors must be formally recognised and legislated, and thereafter, reinforced by business practice and convention. Not only will this prevent succession crises which seem to bug many large corporations, but it will also clothe their boards of directors with a policy and strategy leverage (and authority for the performance appraisal of the chief executive) which is singularly missing today. So long as Indian corporate law follows the Anglo-Saxon model, it is extremely unlikely that we will have many non-executive directors who are on the board because of their professional, business or management capabilities (and not because they are in the 'good books' of the controlling shareholders)—and are, therefore, able to take on this overseeing role.

The immediate point that needs to be made is that in addition to the board of directors, the responsibility for developing a shortlist of potential successors and evaluating them must be the prime task of the chief executive. Unless this task is formalised and monitored, the chances are that it will continue to be deferred as something which is important, but can be tackled later.

There are several companies which require their chief executive, in informal association with selected members of the top management, to develop a list of high performers who are 'chief executive material.' In one leading service organisation in the US, this is often known as the '2% listing.' It represents the selection and assessment of 2% of a company's managers who could currently be considered as having the potential to succeed the incumbent chief executive.

The membership of this list, which is annually updated, is not limited only to the second rung of management. It often extends, as in the case of the service organisation mentioned earlier, to managers who may have entered the organisation only five years earlier, but who could be considered as potential chief executive material at the time the list is drawn up. The ability to formalise and carry out such an exercise requires a basic capability, *viz*. an effective performance appraisal system which focuses on a two-part appraisal. The first relates to setting up jointly agreed quantitative or measurable tasks between the manager and the superior, which is jointly evaluated at the end of the year. The second part relates to behavioural and managerial attributes, mostly qualitative in nature, which are appraised only by the superior.

A characteristic of this system is that the reviewing officer, who is charged with the responsibility of second level assessment of the performance appraisal, is required to identify say, 5% of the managerial population whose performances are appraised, as high achievers. He is also required to identify say, 5% of the appraisees as poor performers who need to be counselled and helped.

> **'We need to address the question of why current second-rung members of management are often found to be excellent — or even outstanding — in terms of their functional capabilities, but seem to lack general management skills and are therefore, unsuitable for the top spot'**

In many Indian companies, even where such a performance appraisal system exists, the second part of the exercise is absent. One imagines the reason is that the first part of the performance appraisal is done perfunctorily and often, not marked by any substantial involvement of the top management members who continue to rely on informal gossip, corridor talk and men's room chatter—in addition, of course, to the cocktail circuit grapevine.

JOB ROTATION

We need to address the question of why current second-rung members of management are often found to be excellent—or even outstanding—in terms of their functional capabilities, but seem to lack general management skills and are therefore, unsuitable for the top spot. The first and foremost reason is, of course, that such companies rarely believe in—except by way of lip service—and practice job rotation for high performer executives who have completed the required minimum tenure in their functional areas, and have given an excellent account of themselves in their own fields. The other reason why job rotation is not practised is partially attributable to the fact that no agreed list of high performers at middle level, who could be job rotated for development of general management skills, is available.

It is interesting to compare in this context the practices adopted by the civil service and the army in this regard. In both these services, after an initial period of seven to eight years, outstanding performers are identified, and rotated through a variety of assignments so as to gain experience in staff (or advisory) as well as operating (or executive) roles to groom them for leadership roles. Secondment to the central pool, deputation on foreign postings in a different organisation, interchange—at successive levels of their careers—between policy-related and administrative or staff jobs, etc.
characterise the method of grooming high performing pe
nel. The net result often is that a large repository of br
capable and achievement-oriented officials are availabl
succession to top level positions.

It is also interesting to note that organisations which
minimal succession problems believe in management
velopment not only for junior and middle level managers
also for their senior and top management people.
company in India consistently follows the practice of sen
its potential chief executive to a top flight advanced man
ment development programme at least two to three y
before confirming him as the selected candidate for the
position.

In addition, it is not unusual for some companies, wh
have well-defined modes of identifying potential successor
the chief executive's position, to give their high perform
managers small projects to be carried out on a task-fo
basis. Secondment to a task-force—be it in the form
constructing and commissioning a new plant, turning arou
a sick company in the group, formulating and executing a n
venture arising from a strategic plan, etc.—is often used a
device to examine the potential chief executive's timbre a
top level general manager.

It might be useful at this point of time to examine so
Indian and western experiences in relation to the mana
ment succession problem. Walter Wriston of Citico
Citibank's holding company, notified the corporation and t
world at large that three contenders would be put in tande
as "pro-tem" chief executives to prove their capabilities
successors to Wriston as chief executive of Citicorp. One
them was a brilliant corporate planner, the second a seni
commercial banker, and the third, a relatively young
innovator and operating systems expert.

OPEN JOSTLING

After three years, the youngest of the lot, John Reed, w
selected as the chairman of Citicorp while the senior bank
took the second spot (the corporate planner left). It has bee
observed that such a long period of open jostling for the to
position—amongst prospective chief executives—can lead
high levels of organisational tension and anxiety, rupturin
relations between the winner and the losers, and resulting
discord within the top management team. To the credit
Wriston, it must be said that these fears were belied an
Citicorp seems to have in fact gained a great deal from th
experiment.

In the UK in early August 1986, it was announced that th
chairman of Beechams, Lord Keith would leave the com
pany. He was succeeded in September by Robert Bauma
(55), an American from across the Atlantic and vice chairma
of Textron, the US airspace giant as chairman, with Joh
Robb as chief executive. The idea seems to be that Bauma
will concentrate on strategy—particularly on the pha
maceutical side—while Robb, the current number two, w
concentrate on the day-to-day operations of the busines
This seems to be an induction in the UK of the concept of
chief executive officer distinct from the chief operatin
officer. It needs to be mentioned in passing that Britis
Oxygen did something similar several years ago—the com
pany imported a US top executive as managing director an
paid him the highest salary on record in the UK, after h
dramatically improved the company's performance. ICI, UK
carried it to the boardroom when it appointed a top U
manager and a Japanese industrialist to its board.

Nearer home, we have several instances of successio
stories which rest not only on managerial merit, but als
illustrate the use of the occasion to consolidate strategic shif

fashioned by the earlier chief executive. In one case, an R&D scientist-manager was identified as the most suitable choice to push forward the technological innovation and core sector-based strategies identified by the chief executive who was due to leave the company. The scientist was put through the paces of production management and R&D policy formulation before being appointed chief executive. In another case, an export manager—a woman with an outstanding managerial track record (who also happens to be an engineer)—overcame the claims of several other operating and functional managers to become the prospective chief executive of a company.

A large company which had been trying for a long time to find a chief executive from without on the grounds that the available second-rung executives did not measure up to the job, tried all manner of things, including advertising in the foreign press for the chief executive's position. It finally selected an outstanding executive, originally from the public sector, who had left the country for a brief while to seek new challenges elsewhere (including the world of academia) as its chief executive.

In yet another case, a company advertised for the position of chief executive and enlisted an expatriate management consultant to interview the candidates. The final selection led to the induction of an outstanding senior manager from another part of the country, who had lost out in the succession battle, as its new chief executive. However, the chemistry did not work out and finally, the externally inducted chief executive had to leave after four years, as his values and style were seen to be out of alignment with the organisational values of the company's 'elders.'

Quite interestingly, a senior manager from the same company reversed the process (and travelled in the opposite direction) and took over as the chief executive of an engineering company. Here again, the management style of the chief executive was seen to be unsuitable for the organisation he had joined. This feeling was further heightened by a letter he circulated to managers of the company mentioning that he was perceived as a 'tough guy,' and the only basis on which he could deal with his managers was their performance and achievement. His exit was swift!

TOTAL SPECTRUM

One large service organisation found itself in a succession problem situation which had to be resolved in a very short time as its chief executive was due to retire on account of the prescribed age limit. An external adviser was called in and, on the basis of extensive interviews with the managers, identified a relatively younger member of the senior management group as the most suitable successor while the policy and strategic decision-making functions were recommended to be temporarily assigned to the board till such time as the new incumbent had a comprehensive feel for the total spectrum of the chief executive's job. The outsider's recommendation was not found acceptable by the board members who wished to retain the option of inducting another senior manager who had earlier left for foreign shores.

This was eventually done, but it led to open dissidence and discord resulting in the exit of the formerly identified young executive. After some time, the person inducted from outside left the organisation, and promoted a competing firm. To the great credit of the company, the young executive who had left India totally disenchanted was brought back and appointed chief executive. This period of tentativeness extending over nearly three years proved to be a time of great internal tension and anxiety resulting in open rift; but happily, wisdom prevailed in the end.

On the other hand, there are many cases of Indian companies—particularly those which are subsidiaries and associates of multinationals, and professionally managed companies—which have managed their succession problems by recognising that succession planning is one of the major tasks of the top management, particularly the board. They have paid considerable attention to the need of identifying managers with top management level potential. They have also nurtured and groomed them, and managed the transition process by openly bringing the chosen successor into the stream of top management activities two to three years prior to the actual transfer of power.

In one well-known company, the potential chief executive was advised that he would be given total access to the nature and process of top management level decision-making by the chief executive, as well as to such facilities as shared telephone lines. The assumption was that the current chief executive would encourage his successor to associate himself with all top management level decisions. It is to the great credit of the successor that he took up the invitation and handled this challenging task with great discretion. At the same time, he used it as a learning period which equipped him for the succession.

ANNUAL EXERCISE

Clearly, it is necessary to redefine the board's role (relating to the succession problem), streamlining and administering the performance appraisal process purposively, listing a slate of potential chief executives as an annual exercise, and providing those thus identified with opportunities for growth by way of job rotation, task force secondment, etc.

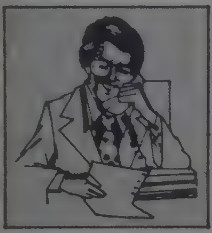
> **'On the other hand, there are many cases of Indian companies which have managed their succession problems by recognising that succession planning is one of the major tasks of the top management, particularly the board'**

It might also be useful if companies were to adopt some of the following measures to cope with the succession problem: (a) constituting a nomination and remuneration committee comprising entirely of non-executive directors, which would make recommendations to the board on matters relating to the choice of the chief executive and senior level managers, as well as their compensation packages. Its other task could be to choose non-executive directors whenever vacancies arise; and (b) constitute a finance and general management committee, bringing together executive and non-executive directors, to discuss strategic and financial issues before they reach the board level.

Also, the question which now needs to be asked is whether the time has not come to think about and adopt the two-tier board structure which is working so well in Europe. The answer is likely to be in the affirmative.

PS: It is reasonably sure that one will soon receive several enquiries whether the article is based on the experience of a particular company. The short and simple answer is "no." The problem is endemic rather than company-specific. It is a sad reflection of the state of our management environment, particularly in the area of succession, that such perceptions arise.

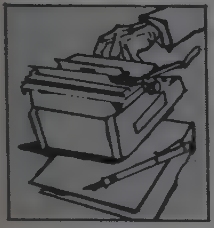
Pick of the jobs



"Contemporary small-sized companies face a dilemma when it comes to recruiting staff. For their growth, they feel it's essential to recruit people who are working in large, reputed companies. But they can't afford such people. But even if they do recruit them further, they soon discover that they upset their remuneration structures," observes Dr. K.K. Anand, director of Anand Consultants, one of the better-known management recruitment and consultancy firms in Bombay.

According to Anand, these companies should compromise. They needn't go for the best man from a large company but should settle for the second or third best, who falls within the ambit of their affordability and doesn't upset their remuneration structures. "It requires a certain vision to look at the prevailing situation and the long term effects of such a step," he says.

VICE PRESIDENTS



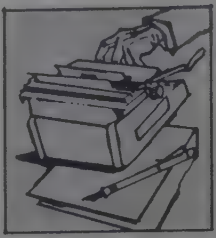
Anand Consultants is looking for three vice presidents for manufacturing, marketing and general administration respectively for one of the most respected Indian pharmaceutical companies based in Bombay which has an annual sales turnover of approximately Rs. 40 crores.

For these fast-track jobs, candidates should be chemical engineers, marketing whiz-kids with pharmaceutical industry experience and chartered accountants or postgraduates in business management with a specialisation in finance, respectively. They should be between 40 and 45 years of age and above all, should have impeccable academic credentials and outstanding track records in industry.

For those who fit this exacting bill, the salary indicator is Rs. 6,000-7,000 per month plus liberal benefits including housing, if necessary.

Enquiries to Anand Consultants, 109 Bajaj Bhavan, Nariman Point, Bombay-400021. Tel: 2024955, 2028014.

DIVISIONAL MANAGER

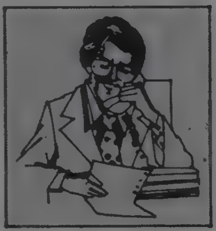


A reputable trading company based in Bombay dealing in dyes and chemicals and which clocks up an annual sales turnover of Rs. 100 crores has also enlisted the services of Anand Consultants to scout around for a high-flying marketer to take over as a divisional manager.

To qualify for consideration, candidates should be postgraduates in chemistry or chemical technologists with a postgraduate degree in business administration. If the appointee is highly talented and shows extraordinary abilities, he may even be taken on as vice president (marketing).

High salary expectations need not be a constraint for the right person.

REGIONAL DIRECTOR

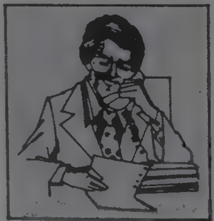


Anand Consultants has also launched a search for a dynamic regional director (western India) for a large, reputed service-oriented company. This is a senior management position based in Bombay and the appointee will call the shots as far as sales and marketing activities in the western region are concerned. The job will involve the formulation and implementation of marketing strategies for existing as well as new products, and leading a sales team to achieve agreed targets.

Candidates should be between 40 and 50 years of age, with about 20 years' track record in marketing.

The salary contemplated is Rs. 5,000-6,000 plus generous perquisites.

TAXATION MANAGER

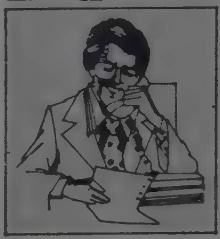


For the same company, Anand Consultants is in search of a taxation manager between 35 and 45 years of age. Candidates should have finance backgrounds and expertise in taxation.

The job entails looking after all the corporate tax matters of the company and the appointee is expected to have a thorough knowledge and experience of direct and indirect corporate taxation including sales tax, excise and customs legislation.

The compensation package contemplated is Rs. 5,000 plus liberal
quisites.

MARKETING MANAGERS



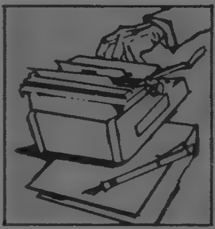
Anand Consultant
also in the market
two marketing mana
for a large serv
oriented company a
large textile manufac
ing company respect
ly. Both the companies are base
Bombay.

To qualify for consideration, as
ants should be between 35 and 45 year
age, with excellent marketing ba
grounds. For the textile company pa
cularly, special knowledge and exp
ence of the textile yarn and fi
businesses is essential. Candidates
both jobs should also have plann
abilities and conceptual skills.

The appointees will be responsi
for the total marketing function enc
passing formulation and execution
marketing plans and strategies and sa
management and development of n
product applications/markets.

The compensation contemplated
around Rs. 4,000 per month.

COMPUTER AUDITOR



Personnel Search S
vices, Bombay, is loo
ing for a computer a
ditor for a multinatio
bank with extensive o
erations in India. T
job entails the audit a
monitoring of computerised syste
encompassing all facets of the ban
operations in the country.

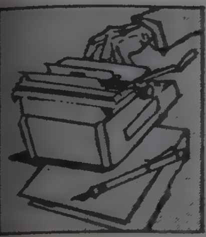
To qualify for consideration, asp
ants should be chartered accountan
around 30 years of age and thoroug
conversant with computerised syste
They should have had hands-on expe
ence in the development of syste
and/or programming for at least three
five years.

The position is in the middle mana
ment cadre and based at the ban
corporate office in Bombay. T
selected candidate will be required
undergo intensive training at the ban
international headquarters before ta
ing up the assignment.

The salary and perquisites packa
will be liberal.

**Enquiries to Personnel Search Servic
45, Bajaj Bhavan, Nariman Point, Bo
bay-400021. Tel: 2022885, 2027207.**

GENERAL MANAGERS



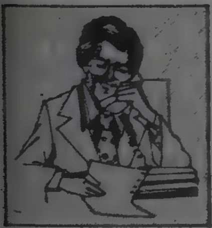
A large, diversified electronics company, engaged in the manufacture of black and white and colour television receiver sets and which has manufacturing units in Indore and Ahmedabad, each with an annual sales turnover of Rs. 5 crores has retained Personnel Search Services to recruit general managers to head each of these units. The positions offer excellent growth opportunities for entrepreneurially-oriented persons.

The job entails assuming total responsibility for each unit, including all manufacturing, commercial and administrative functions. Essentially the incumbent should be able to manage a manufacturing unit independently. Both appointees will report directly to the board of directors.

To qualify for consideration, candidates should be graduates, preferably in engineering. They should have around 10 years' manufacturing experience in a medium-scale unit or five years of techno-commercial experience at the managerial level in a large organisation.

The compensation package contemplated is attractive and negotiable in the region of Rs. 1 lakh per annum.

PERSONNEL MANAGER

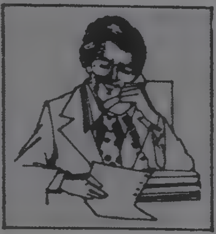


A well-known business group, with an annual sales turnover in excess of Rs. 200 crores, is looking for a personnel manager for their software division based in the garden city of Bangalore.

On its behalf, Personnel Search Services has launched a nation-wide search for a postgraduate in business administration with specialisation in personnel management and about 10 years' experience in various facets of the personnel function. The emphasis will be on HRD and application of behavioural science principles on the job. The staff strength of the software division is around 300—most of them highly qualified and dealing with whom would require a high level of maturity, confidence and resourcefulness.

The compensation package is negotiable at around Rs. 1 lakh and, among other generous perquisites, residential accommodation will be provided.

MARKETING MANAGER



Marketing Advisory Services, Bombay is shopping for a high-flying marketing manager to be based in Bombay for a large courier service company.

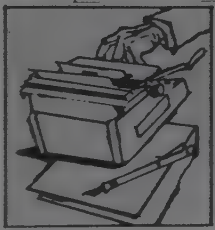
To qualify for consideration, candidates should be 30-40 years of age, possess postgraduate qualifications in marketing management, have five to seven years' experience either as marketing executives or managers or product managers in consumer products marketing companies.

The ambit of the appointee's duties will cover market planning/research; liaison with advertising agencies; handling promotion campaigns; effectively liaison with the sales manager and innovating marketing techniques.

The compensation contemplated is Rs. 80,000-85,000 per annum.

Enquiries to Marketing Advisory Services, 541, 11th Road, Bombay-400071. Tel: 5518027.

PRODUCTION MANAGER

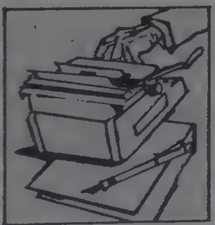


For the newly inaugurated food products division of the same company in Gujarat, Career Placement and Marketing Services is on the lookout for a production manager.

To fit the bill, aspirants should be food technologists, below 35 years of age with at least five to seven years' experience in production, preferably in the food products industry.

The compensation contemplated is Rs. 5,000 per month in addition to generous perquisites including residential accommodation.

MATERIALS MANAGER

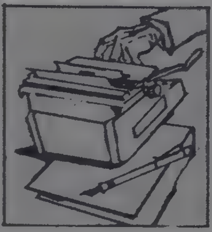


Career Placement and Marketing Services is also in the hunt for a materials manager for a multinational pharmaceutical company with an annual sales turnover of over Rs. 30 crores.

For this difficult-to-fill slot, candidates should be below 45 years of age with postgraduate degrees in business administration preferably from reputable institutes. They should also have had 10-15 years' experience in the materials, stores, purchase, planning, procurement departments out of which seven to 10 years should have been in a senior position in a pharmaceutical company.

The monthly salary package will be Rs. 5,000 plus liberal perquisites.

PERSONNEL MANAGER

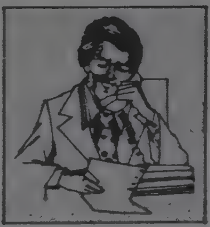


A top-notch Bombay-based company manufacturing cosmetics and other consumer products has retained Career Placement and Marketing Services to zero in on a personnel manager.

To qualify for consideration, aspirants should be postgraduates in personnel management from reputable educational institutions, should be below 45 years of age and should have had 10-15 years'experience in the personnel function at a senior level. They should also have served in a senior capacity in industrial relations as well as human resources development and other personnel functions.

The appointee will be offered a salary of over Rs. 6,000 per month plus handsome perquisites.

CORPORATE PLANNING MANAGER



Career Placement and Marketing Services, Bombay, is hunting for a corporate planning manager for the Bombay head office of a reputed pharmaceutical and consumer products manufacturing company. The company has an annual sales turnover of over Rs. 20 crores, and ambitious diversification plans.

For this important position, candidates should preferably be engineering graduates with postgraduate degrees in business administration. They should be less than 45 years of age and possess at least 10-15 years' experience in a senior capacity in corporate planning.

For the right candidate the salary will be his for the asking and will be accompanied by a bagful of benefits including housing, if necessary.

Enquiries to be addressed to Career Placement and Marketing Services, P.B. No. 8105, Bombay-400051.

Indra Gidwani

BusinessWorld
September 29—October 12, 1986

New tempo in the TI group

By DILIP THAKORE

A prudent fear of the convertibility clause and transgressing the letter o spirit of the numerous anti-growth laws enacted by previous administrations had hitherto prevented the Madras-based TI or Murugapp group of companies from realising its growth potential. But under the dispensation of the liberal Rajiv Gandhi administration, the TI group has taken to the growth and diversification path almost with a vengeance.

A new get-up-and-go spirit in keeping with the current national temper is discernible in corporate boardrooms in the deep south — hitherto a bastion of low profile usiness conservatism. Encouraged by e liberal licensing, capacity expansion nd pro-growth policies of the Rajiv andhi administration in New Delhi, everal heavyweight southern industrial roups — hitherto respected for their aution and prudence than for their enerprise — are beginning to diversify nd expand the scale of their perations.

Among the more prominent southrn business houses that have chalked p ambitious diversification and/or exansion plans are the Madras-based vs group and Standard Motors in the utomotive sector; the D.C. Kothari roup in fertilisers and processed oods; the Coromandel Indag group nd the Mehta group in Bangalore.

Yet, perhaps fittingly, the southern business house which has taken to the growth and diversification path almost with a vengeance is the Madras-based business house of Murugappa better known as the TI (Tube Investments) group of companies. Officially the TI group consists of three major companies. These are: Tube Investments of India Ltd. (TII — sales: Rs.111.96 crores in the year ended 31st December 1985) which is engaged in the businesses of manufacturing bicycles, precision tubes, cold rolled strips and metal sections; Carborundum Universal (sales: Rs.41 crores in 1985) which manufactures coated and bonded abrasives, aluminium oxide grains and super and electrocast refractories; and the Coromandel Engineering Co. Ltd. (income: Rs.13.10 crores in the year ended 31st March 1985), a project construction company.

In addition, the top brass in the group admits that three plantation companies are connected closely enough to the parent TII to qualify as group companies. These are New Ambadi Estates Pvt. Ltd.; Greenham Estates Pvt. Ltd. and the Kadamane Estates Co. — a partnership firm. Over 3,500 acres — on which are grown rubber, tea, cardamom and coconut — are under cultivation in the three estates. And though in terms of sales turnover, the plantation companies do not contribute significantly to the group — the aggregate income of three companies in 1984-85 (each one has a different accounting year) was a modest Rs.4.67 crores — they are very profitable with an aggregate profit to sales ratio of 38.97%, apart from the fact that with land prices continuously moving upwards, their asset value is much higher than reflected in the companies' books of account.

A.M.M. Arunachalam (left) and M.V. Arunachalam: new adventurous spirit

That a new and more adventurous spirit is abroad within the TI group of companies which have been marking time for the past quinquennium and more is indicated by A.M.M. Arunachalam (68), chairman of TII and by common consensus the patriarch and head of the Murugappa family. Commenting favourably on the Union government's efforts to "either dismantle some of the stifling regulatory framework or at any rate to make it less rigid" in his chairman's statement made in March, Arunachalam provided an insight into the top management's line of thinking.

"Some of the policy announcements and liberalisations have been encouraging, consistent and continuous. Without going into the details of the policy measures whether it (*sic*) is fiscal, industrial or foreign trade, I believe that it would be right to say that it has changed the mood and motivation of the entrepreneurial class. The upbeat mood needs now to be canalised into creative channels for bringing about the much needed technological upgradation and cost-efficiency in industry. These welcome measures have already, in many cases brought about a very competitive market situation which is bound to have its impact on the corporate world. Those who face up to the new challenges and are able to produce quality products cost-efficiently will be able to survive and grow, while others are bound to suffer casualties," Arunachalam told TII's 13,819 shareholders.

Certainly, the top management of the TI group has no intention of permitting any of the group companies to be numbered among the casualties foreseen by Arunachalam as the logic of the Rajiv Gandhi administration's relatively liberal economic policies manifests itself within the economy. Consequently, it has given the go-ahead to the management of the constituent companies to dig into their reserves as also to tap institutional finance for the modernisation and technological upgradation of their production facilities.

BASIC MODERNISATION

Thus over the last quinquennium, the management of the flagship company of the group — TII — has invested Rs.15 crores to complete the "basic modernisation" of its engineering division (estimated sales: Rs.60 crores in 1985) on which it proposes to spend an additional Rs.10 crores over the next three years. Likewise, it has invested Rs.6.5 crores in the modernisation of its cycles manufacturing division. Similarly, the management of Carborundum Universal, in which the Murugappa family has an estimated 25% equity shareholding, invested Rs.5.2 crores and Rs.2.5 crores in new silicone carbide and ceramic fibre manufacturing facilities respectively. And capital expenditure in the three plantation companies — New Ambadi Estates, Greenham Estates and Kadamane Estates — since the turn of the decade aggregated Rs.1 crore as a result of which yields have improved dramatically.

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September 29—October 12, 1986

The technological upgradation of the manufacturing facilities and diversification of the businesses of the major companies in the group apart, it is also quite obviously part of the growth strategy of the group to acquire controlling interests in established companies. Within the TI group, whose conservative top brass entertains a not unnatural fear of the whims and caprices of the all-powerful *netas* and *babus* who tend to be allergic to the growth and development of companies and corporate groups, this is a touchy subject.

Yet it is fairly well known that in 1982, the Murugappa family which has management control of the TI group acquired a sizeable shareholding (estimate: 33%) in the 199 year old Madras-based EID Parry Ltd. (net sales: Rs.167.26 crores in the year ended 30th June 1985), a company engaged in the businesses of manufacturing sugar, confectionery, agro-chemicals, ceramics and engineering tools and trade in fertilisers and consumer products. However M.V. Subbiah (46), vice chairman and managing director of the company who is also the nephew of A.M.M. Arunachalam and younger brother of M.V. Arunachalam, the *de facto* chief executive of the TI group, declined to be interviewed for this feature on the ground that EID Parry is not a TI group company.

ACTIVE ROLE

Another large company in which the TI group has acquired a sizeable equity stake and in which its family members are discharging an active managerial role is CWS (India) Ltd. (sales: Rs.18.37 crores; pre-tax profit: Rs.3.91 crores in the year ended 30th June 1985), which has an estimated 10,000 acres under tea in south India. Hitherto a FERA company in which the Cooperative Wholesale Society Ltd., UK, held 74% of the equity, it is now a non-FERA company in which the foreign shareholding is just below 40%. The TI group companies own about 35% of the equity in CWS (India) whose *de facto* chief executive is M.A. Alagappan, the son of A.M.M. Arunachalam.

M.V. Arunachalam (57), a geology graduate of Madras University, managing director of TII and the chief executive of the TI group of companies admits that the Murugappa family and TI group companies have acquired an equity stake and management control of EID Parry and CWS (India). "The Murugappa group has acquired an investment interest in these two companies to the extent of 25% of their capital. We are also providing management inputs. Therefore, one could certainly say our involvement is substantial."

> **'The technological upgradation of the manufacturing facilities and diversification of the businesses of the major companies in the group apart, it is also quite obviously part of the growth strategy of the group to acquire controlling interests in established companies**

While the CWS shares have proved to be a good buy, EID Parry, though asset-rich and a company which has a good reputation in the marketplace for its product lines, is in a bigger mess than was anticipated. But reacting adventurously for a change, the council of elders within the Murugappa group has taken the decision to pull out all the stops to turn the company around.

Since EID Parry needs a large cash injection or a series of them, the company's management has reportedly taken the decision to divest EID Pa shareholding in the Madras-based India Ltd. (sales: Rs.39.70 crores in year ended 30th September 1985 mobilise resources for investmen the company whose pre-tax profi sales ratios have been in the 1%- range in the eighties and which w into the red in 1984-85.

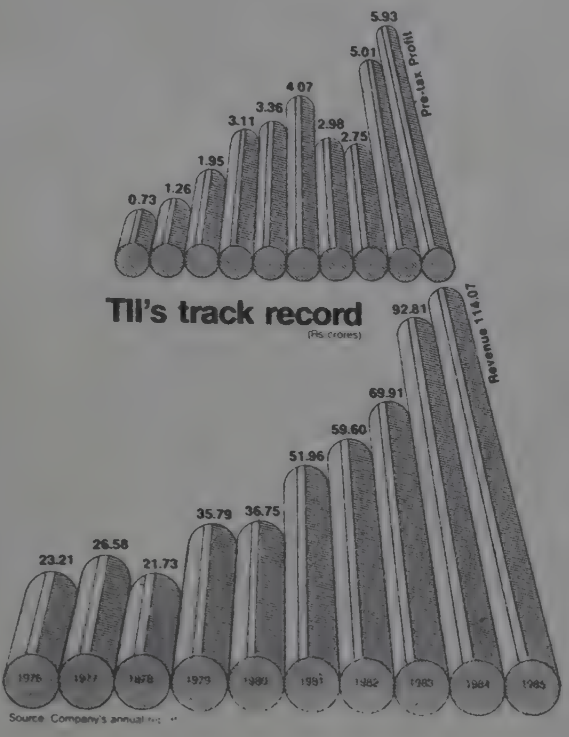
According to monitors of the cor rate scene in Madras, the current (1 September) quotation of Rs.18.90 the (Rs.10 paid up) equity share of company in the Madras stock excha is to a greater extent indicative of vestors' faith in the management ca bilities of the TI group than satisfact with the company's operational p formance in recent years.

As mentioned earlier, EID Parr vice chairman and managing direc declined to meet your corresponde on the grounds that the company ca not be classified as being within the group and/or in any event is sufficient large and diversified enough to mer separate coverage. However, that th company is being pulled up by its boo straps is indicated not only by its re portedly better operational perform ance in its year ended 30th June 198 but also by the confident manner i which the EID Parry management planning to celebrate the company's bi centennial year beginning 1st July 1987

Major companies in the TI group

	Year ended	Sales (Rs. crores)	Pre-tax profit (Rs. crores)	Product mix
Tube Investments of India Ltd.	31.12.85	111.96	5.93	Precision tubes, steel strips and bicycles
Carborundum Universal Ltd.	31.8.85	41.01	4.31	Abrasives and refractories
Coromandel Engineering Ltd.	31.3.85	13.07	1.01	Construction
New Ambadi Estates Pvt. Ltd.	31.3.85	1.25	0.72	Rubber
Kadamane Estates Co.	30.6.85	2.55	0.84	Tea
EID Parry Ltd.*	30.6.85	167.26	(0.46)	Sugar, agro-inputs and ceramics
CWS (India) Ltd.*	30.6.85	18.38	3.92	Tea

*Affiliated companies



TII's track record
(Rs crores)

Source: Company's annual

In a confidential eight-page brief to EID Parry's advertising agencies, the company's management has listed its primary objective thus: "In the forseeable future, the (EID Parry) group will grow faster than the market/industry in all the existing core businesses such as agro-inputs, sugar, confectionery and ceramics. The higher growth than market (is) to be achieved with improvement in profitability compared to the last five years."

But if the TI group, in response to the positive signals that the new generation Rajiv Gandhi administration has been sending out to industry, is in the process of acquiring a growth momentum which is commensurate with its status and resources in terms of technical expertise and managerial capability, this welcome development is undoubtedly a consequence of the confidence derived from the sustained efficiency and prudence with which the TI group companies' managers have managed their businesses during the past four decades.

ROUGH PASSAGE

Not that it has been smooth sailing. In particular, the flagship TII — especially its cycles division — experienced a rough passage in the late seventies and early eighties. And it is quite possible — indeed probable — that the unusual aggression and risk-taking abilities which the group's top management has exhibited in recent times springs from the aplomb with which TII has bounced back into respectable profitability.

In TII's primary business of manufacturing precision tubes, cold rolled strips and metal sections which are produced by the company's engineering division, output and productivity have increased impressively during the eighties. For example, the output of steel tubes has risen by 37% from 21,139 tonnes in 1980 to 29,000 tonnes in 1985 and while the production of relatively low value cold rolled strips has declined, the output of metal sections has risen by 195% from 1,938 in 1980 to 5,718 km in 1985.

This improved production and productivity is not unconnected with the completion of a phased modernisation programme of the company's massive 100,000 sq ft factory near Ambattur, Madras at a cost of Rs.15 crores. As a consequence, the products of TII's engineering division — whose managers claim is the largest precision tubes manufacturing enterprise in the country — are well accepted in the marketplace, particularly in the furniture, automotive two-wheelers, bicycles and boilers and transformers manufacturing industries.

"I am happy about the gains in productivity that we have registered in the plant over the past five years and in particular about the close coordination between the production and marketing departments within the division," says H.V. Jain (43), special director of TII who supervises the operations of the engineering division.

NEW BREED

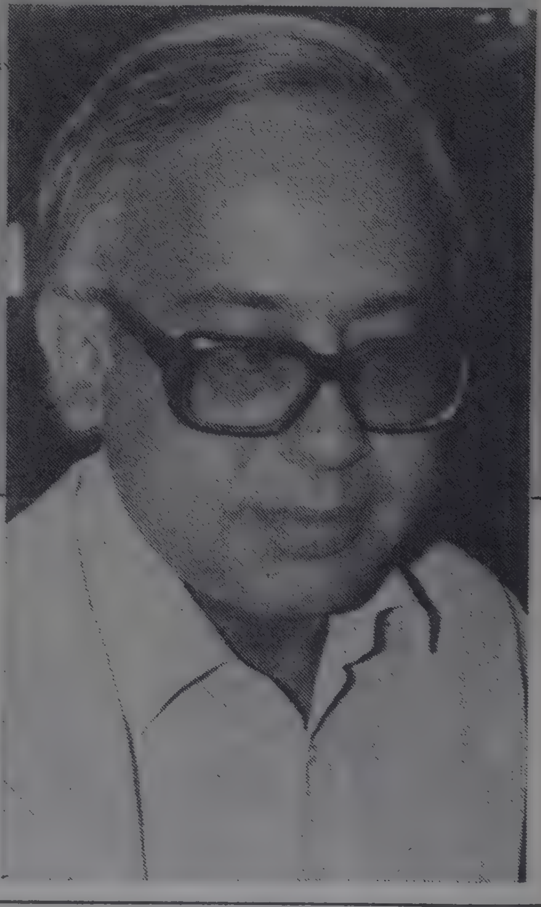
A mechanical engineering graduate of IIT, Bombay, who has had working stints in IBM's Indian subsidiary (1966-78); NELCO (1978-80) and the (Ashok) Birla managed Indian Tool Manufacturers Ltd. (1980-83) after which he signed up with TII, Jain is representative of the new breed of young managers who have engineered the turnaround of TII in the eighties.

According to Jain, the belated boom in the automotive two-wheeler and motorcar and bicycle industries has proved particularly beneficial for TII. "In TII, we have a higher level of metallurgical knowledge and better research and testing equipment and facilities than any other precision tubes manufacturing company in India. This enables us to provide unique value engineering benefits to our customers in terms of correlating raw materials to end use and the development of specialised tube products for our customers. For example, for some of our customers we have developed cheaper welded tubes as a substitute for seamless tubes. For others in the automotive industry we have developed high strength, low weight tubes from indigenous steel to reduce the body weight of vehicles and to improve fuel efficiency. These traditional strengths of the company enable us to get close to our customers," says Jain.

Production and productivity gains have been more spectacular and obvious in TII's cycles division. In 1985, the division which bills itself as the largest integrated bicycle manufacturing enterprise in Asia, produced 2,852 bicycles per working day at its TI Cycles of India plant on the outskirts of Madras. In the current year, it is thus far producing an average of 3,750 per day. But even this impressive scale of production (which is somewhat diminished by the fact that the division has a 250 day year) places TI Cycles in the fourth position among bicycle manufacturers — after Hero Cycles, Atlas Cycles and Avon.

Nonetheless, the division's annual production and sale of 7.13 lakh bicycles valued at Rs.44.77 crores in 1985 is a marked improvement over 1978 when the company's integrated bicycle manufacturing plant was closed for over 10 months following labour demands for a wage hike unrelated to productivity. At that point of time, the future of TII's

According to H.V. Jain (below) the belated boom in the automotive two-wheeler and motorcar industries has proved particularly beneficial to Tube Investments



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bicycle manufacturing division looked very bleak with the employee unions demanding nationalisation. Yet, fortunately for them as well as the TII management, both the Central and state governments rejected this politically expedient proposal which would have landed them with sick units such as Sen-Raleigh and Hind Cycles among others.

WIDE DIFFERENTIAL

One major disadvantage that TII's cycle division suffered — and continues to suffer — is the wide differential in per capita labour costs vis-a-vis its competitors based mainly in north India. Whereas the average monthly wage of each employee in TII's 1,250 strong bicycle manufacturing works is Rs.1,000, in Hero Cycles it is reportedly Rs.550. In the labour-intensive bicycle manufacturing business, a wider wage differential gap between south and north Indian units would have been disastrous for TII. Which is why the management stood firm on the issue and imposed a 10 month lock-out.

"The point was finally communicated to our employees who ultimately accepted that all further wage increases would be linked to increases in productivity"

T.K. PALANI KUMAR

"Though TII suffered considerably in terms of lost production, the point that the then existing differentials between this company's high wages and those of the north-based units had to be frozen if not narrowed, was finally communicated to our employees who ultimately accepted that all further wage increases would be linked to increases in productivity. Since then, productivity in our integrated bicycle manufacturing plant has risen from one bicycle per man day to 1.64 currently. Inevitably wages have risen since then but so has productivity with the result that the differential in labour costs as a percentage of production costs between TI Cycles and the north India-based units have not widened further," says T.L. Palani Kumar (36), a chemical engineering graduate of IIT, Madras, and a business management graduate of IIM-Ahmedabad who signed up with TII in 1980 after a seven year (1973-80) stint with Asian Paints. Currently Palani Kumar is designated special director of TII's cycles division.

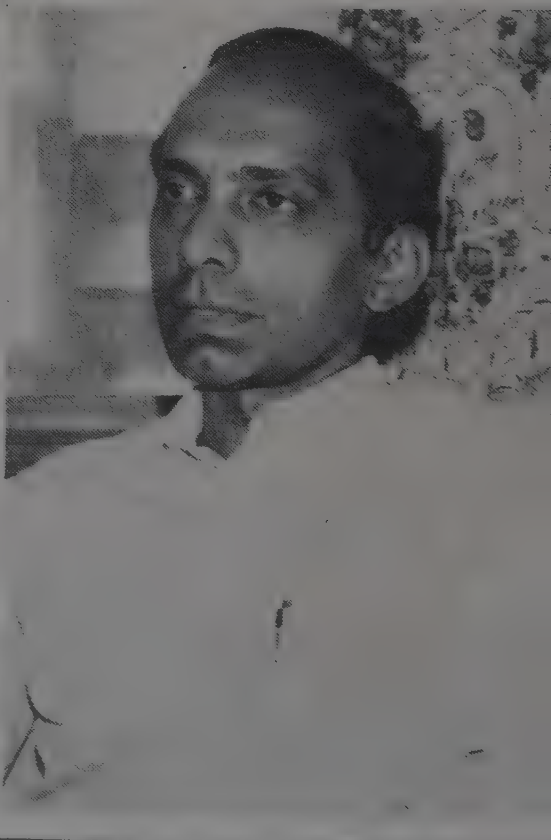
According to him, while the employees of TI Cycles have achieved a "historic breakthrough" by agreeing to link wages with productivity, the company's management too has played a role in improving plant productivity by investing Rs.6.5 crores in modernising the division's manufacturing base.

"This division in which we have chalked out aggressive marketing strategies based on market segmentation and an emphasis on the premium segments of the market, has been in the black since 1980. However profitability in recent years has been modest because of higher depreciation and interest costs consequent upon our modernisation programme. But the future of TI Cycles is bright. With constant product development, I expect our current market share of 16% of the all-India market to expand gradually. Our marketing strategy of carving our segments of the market and offering unique high quality bicycles without price emphasis is succeeding and over the next three years we expect profit to attain the level of 10% of sales," says Palani Kumar confidently.

If TII — particularly its cycles division — has perforce been sent through the school of hard knocks, Carborundum Universal Ltd., the second lar
company within the TI group and bi
as Asia's largest integrated manufac
er of abrasives, has had a relati
smooth passage. Promoted in 1954
the Murugappa family who persua
arch rivals Carborundum Co. I
USA, and the Universal Grin
Wheel Co., UK (now a part of Unic
Industries) to join hands in India,
Madras-based company manufactu
over 20,000 different items of bon
and coated abrasives of varying si
abrasive grains and super and elec
cast refractories, very profitably.

"Though bonded and coated ab
sives is our major line of business c
tributing more than 61% of the ann
sales turnover of the company, this i
mature business. Therefore we are c
centrating on developing our refract
ies and electro-minerals business
Last August our Rs.5.2 crore silic
carbide plant in Kerala was inaug
rated. In addition, recently Carboru
dum Universal has promoted a subsi
ary company — Murugappa Morgan
Ceramic Fibres Ltd. (MMCFL) — whi
will manufacture ceramic fibre, a lig
weight insulating refractory with wi
applications in the engineering, met
lurgical and chemical industries MMC
will receive technical knowhow fro
Morgan Refractories, UK, and t
budgeted project cost is Rs.2.5 crore
I believe that new ceramics are t
materials of the future," says M.
Murugappan (51), a civil engineeri
graduate of Birmingham Universi
currently managing director of Carbo

Murugappan: smooth passage



ndum Universal and chairman of MMCFL, who is also M.V. Arunacha- am's younger brother.

The inauguration of Carborundum Universal's silicon carbide plant last year and the commencement of commercial production by its subsidiary MMCFL will undoubtedly shore up the company's already impressive bottom- ine. In the meanwhile the company is pressing ahead with its product diversi- ication plans. Recently it commis- ioned a Rs.75 lakh pilot plant and R&D facility to commercialise the production of a corrosion and wear resistance ceramics and metal plasma spray.

"During the next few years the ttention of the company's manage- nent will be concentrated on the new eramics, new refractories and the plas- na spray projects," says A.R. Lak- hmanan (56), a mechanical engineer- ng and industrial management gradu- te of Madras University who signed p with Carborundum Universal in 954 and is currently executive director nd chief operating officer of the 2,000 trong company.

'One is likely to be tempted to dismiss the agro-industrial or plantation companies in the TI group as small potatoes. But they are highly profitable'

A similar inclination to build on a trong base through a process of consolidation and expansion is discernible n the agro-industry or plantation com- anies within the recently re-energised I group. One of the first acquisitions 1942) in India of the late Diwan Baha- ur A.M. Murugappa Chettiar, the ounder of the TI group who made his ortune in retail banking in Burma be- ore the Second World War, was a ,600 acre rubber estate in Tamil Nadu ince incorporated into New Ambadi Estates Pvt.Ltd. (gross income: Rs.1.59 rores in the year ended 31st March 986). Subsequently, in 1968 the Muru- appa family purchased a tea estate in Hassan, Karnataka — Kadamane Estates Co. (sales: Rs.2.55 crores in he year ended 30th June 1985).

In 1981, the family acquired a majority shareholding in a 1,000 acre ubber and pueraria seed plantation in Tamil Nadu — Greenham Estates Pvt. Ltd. (sales: Rs.52.85 lakhs in the year nded 31st December 1985). And in 982, the group companies and the Murugappa family acquired a sizeable equity share in the massive CWS (India) Ltd. (sales: Rs.18.37 crores in the year ended 30th June 1985) which has almost 10,000 acres under tea cultivation in Assam and south India. In 1985-86, the agro-industry companies in the TI group chalked up aggregate sales approximating Rs.20 crores and provided direct employment to 10,500 citizens.

As in the other companies within the TI group, there has been a successful productivity improvement drive in the group's plantation companies. According to M.A. Alagappan (42), a commerce graduate of Madras University who is the chief executive of the estate companies in the group, the Greenham Estates has the highest per hectare yield of rubber in the world (1,800 kg) and even in the New Ambadi Estates, the average annual yield of 1,400 kg per hectare compares very favourably with the world average of 1,100 kg. Even on the tea estates, yields are rising. In 1981-82, the total production of CWS (India) was 5.4 million kg. In the company's year ended 30th June 1986 it had risen to 7.8 million kg.

PROFITABLE COMPANIES

As mentioned earlier in passing, one is likely to be tempted to dismiss the agro-industrial or plantation companies in the TI group as small potatoes because their sales turnovers are modest by industry standards. But it is pertinent to bear in mind that these companies are highly profitable. For example the pre-tax profits to sales ratio of CWS in 1984-85 was 21.14% and of New Ambadi Estates 45.28% whereas 10%-12% is considered very healthy in industry. It is also relevant to remember that land — especially cultivated land — is a constantly appreciating asset.

Certainly the on-the-ball members of the Murugappa family are well aware of the importance of their plantation companies and it is hardly a secret in Madras that the substantial cash flows from these companies have to a considerable extent facilitated the corporate acquisitions and diversifications of the TI group. "While the yields in our rubber estates is satisfactory and therefore rising slowly, we are poised to raise our already high average tea yield of 1,050 kg per acre currently to 1,250 kg over the next three years. This means that the aggregate sales turnover of the plantation companies in the group will rise by 50% to Rs.30 crores with a commensurate rise in profitability," says Alagappan.

According to M.A. Alagappan (above) chief executive of the estate companies in the TI group, some of them have the highest per hectare yields in the world

A similar optimism about the future is discernible within the top management of the Coromandel Engineering Co. Ltd. (sales: Rs.16.44 crores in the year ended 31st March 1986), a TI group company engaged in the civil engineering and contracting business. The company which employs 361 citizens — including 125 qualified engineers — rates itself as one of the top three civil contracting companies in the south and has constructed several impressive industrial and utility buildings which dot the southern landscape. Among them: the 14 storey LIC, Grindlays Bank and Chola Hotel buildings in Madras and the Unity Building and Holiday Inn Hotel in Bangalore. Currently the Madras-based company is in the process of executing a major Rs.4 crore contract for Paradeep Phosphates in Orissa.

"Financially this company has been faring well for the past three years in particular. In the year ended 31st March 1986, Coromandel Engineering earned a pre-tax profit of Rs.66 lakhs which isn't as unimpressive as it appears if you take into consideration that the company's paid-up capital is only Rs.38.40 lakhs. I believe the company has earned a good reputation for reliability and delivering quality con-

Beyond business boundaries

Though southern business houses or groups tend to maintain a low profile in the media, they generally expend considerable time, money and energy in winning friends and influencing people in the immediate neighbourhood of their manufacturing enterprises. For example, in the bustling industrial town of Coimbatore, most of the educational institutions and hospitals have been funded and financed by some of the powerful yet unsung business houses based in the city. Given that Central and state governments have proven wholly inadequate to the task of setting up qualitatively acceptable educational or medical institutions in the non-metropolitan areas, business houses all over the country have played a useful role in providing basic amenities to a not insubstantial number of citizens, though this role of the private sector is deliberately downplayed by politicians and the media.

The Murugappa or TI group is not bereft of the philanthropic impulses which present the acceptable face of capitalism to society. As early as 1924, the late Dewan Bahadur A.M.M Murugappa Chettiar, the founder of the group, constructed the A.M.M. Hospital in his native village of Pallattur in Tamil Nadu. After his death in 1949, his sons constituted the A.M.M. Charity Trust in his memory endowing it with substantial personal contributions in addition to funds from their business enterprises.

Positive contributions. Since then, the trust has been making positive contributions to the welfare of the communities in the industrial areas of Avadi and Ambattur near Madras (where TI group companies have several manufacturing units) providing modern educational and medical facilities. Among the institutions founded and/or funded by the trust are the Sir Ramaswami Mudaliar High School (established in 1958) at Ambattur which provides secondary educational facilities to 2,000 pupils including 450 girls; the Vellayan Chettiar High School (1963) at Thiruvottiyur with a strength of 2,000 pupils; Murugappa Polytechnic (1958) which offers diploma courses in mechanical, civil and electrical engineering to 180 students every year and a part-time four year diploma course to help industrial workers acquire high technical qualifications and skills. The Sir Ivan Stedeford Hospital (1966) located on the Avadi-Ambattur Trunk Road, a 150 bed modern hospital, is manned by 18 qualified doctors and 45 medical and para-medical staff. In addition, the trust has contributed generously to extend existing educational and medical facilities in south India.

But perhaps the most pathbreaking of the projects established by the trust is the Shree A.M.M. Murugappa Chettiar Research Centre (MCRC) founded in 1973. The objective of the centre is to apply science and technology to help solve the problems of the rural poor. And in the 13 years of its existence the centre has won itself a good reputation.

The MCRC has pioneered a considerable amount of research in developing mass culture techniques for the processing of algae (*spirulina fusiformis*). The research studies of the centre indicate that easily available algae could serve as a cheap supplement to the usually unbalanced diets of the rural citizens as it contains essential amino acids, minerals and vitamins and is easily digestible.

In addition, the centre has pioneered the manufacture of solar cookers, water heaters and a solar still which could provide distilled w ter in rural areas where the quality potable water available is rapidly d teriorating. Research into piscicultu has also facilitated the design and fa rication of catamarans (derived fro the Tamil *kattumarams*). With t fishing community confronted by hi prices of dwindling wood supplie the MCRC designed and fabricat catamarans which utilise high densi polyethylene (HDPE) pipes, cou prove to be a big blessing.

"Virtually unsinkable." "The mat rial is less dense than water an therefore provides sufficient buoya cy when the ends of the HDPE pip are sealed. These HDPE catamara are virtually unsinkable and will la 35 years as opposed to the five seven years' life of the wooden cat marans," says Dr. C.V. Seshadri (56 who obtained his chemical enginee ing doctorate at the Carnegie Mello University, USA, and lectured at II Kanpur (1964-74) prior to taking ove as director of MCRC in 1978.

According to Seshadri, the group is one of the few industria business houses which makes a attempt to apply industrial technolog to village level needs. Apart from th projects mentioned above, MCRC ha also contributed low cost housing de signs to the Gandhigram Rural Trus which has commenced the construction of 200 houses using this design and has also pioneered passive sola architecture which keeps house naturally cool and cuts down powe and cooling costs.

"In MCRC our philosophy is to introduce *ab initio* inventions. But despite our having stabilised several inventions or products and made them potentially marketable, they have not really got off the ground because of a paucity of venture capital in this country," says Seshadri.

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struction. This is evidenced by the repeat orders we have received from blue chip clients such as Ashok Leyland, United Breweries and Lakshmi Machine Works among others," says M.A. Murugappan (45), a Doon School and Loughborough College (UK) alumnus who is the managing director of the company.

In particular, managers in Coromandel Engineering are excited by the prospect of a spurt in business once the flow of funds envisaged by the huge Rs.1,80,000 crore public sector plan outlay commences. "The company is well positioned to bag a large number of civil engineering and construction contracts over the next few years. In terms of piling and slip forming hardware, cranes and earth moving equipment, we are well equipped to execute orders for the large number of fertiliser, power, oil refining and petrochemical plants which are scheduled to be constructed during the next four years. This in turn is likely to catalyse a construction boom in the private sector a well. The last two years have bee rather lean for the construction indus try but I expect a boom by mid-1987, adds V.A. Venkatachalam (54), a civ engineering graduate of Madras Un versity who signed up with Coromande Engineering way back in 1958 and wh is currently a special director of th company.

Nevertheless, given the ultr cautiousness of the top management o the group until recently, the need to re

"I am very enthused about current trends in the economy"

Dilip Thakore interviewed M.V. Arunachalam (57), the de facto *chief execuive of the* TI *group in his office in Madras. Excerpts:*

■ The hitherto conservative and low profile TI or Murugappa group of companies which had concentrated its attenion on Tube Investments of India Ltd., has diversified its activities by acquiring nterests in EID Parry Ltd., CWS (India) Ltd. and Murugappa Electronics. What is the nature and extent of the group's involvement with these new companies?

The Murugappa group has acquired an nvestment interest in these two companies to the extent of 25% of their capital. We are also providing management inputs. Therefore, one could cerainly say our involvement is substanial. Your reference to the group as being conservative and low profile is ustified to the extent that we have generally sought to consolidate our position in the businesses we are in, before embarking on very ambitious expansions or diversifications. In our book, too rapid an expansion would mean greater borrowing from the financial institutions which involves the convertibility clause which would dilute he family's shareholding in group companies. This is not an acceptable option for us.

Therefore our efforts in our businesses are to achieve a steady, hough not spectacular growth. Our financial prudence has also helped us. When there was a need for a commited, capable group to acquire a shareholding in EID Parry Ltd., and a search for an Indian partner who would be able to provide the necessary inputs for uccessful working of the company in he case of CWS (India) Ltd., we were chosen. In the case of Murugappa Electronics Ltd., it was felt that in keeping with the tradition of the group, we could produce a quality audio magnetic tape which would fill a felt need in the Indian market and provide us a base to enter the fast growing elecronics business.

■ At the same time, the parent company TII does not seem to be in the pink of health. Pre-tax profit as a percentage of sales is less than 5% against the desideratum of 10% and the company's debt equity ratio has crossed the norm of 2:1. What is your comment?

It would be more appropriate to describe TII as the flagship company of he group. I would say that it is in reasonably good health. The bicycle division, some years ago, had difficult industrial relations problems even while having to compete against other firms in the same industry whose wage bills were substantially lower. Despite this, the company has maintained its leadership in the market as a quality producer of bicycles, tubes, steel strips and metal sections.

If profit before tax to turnover percentage is not higher than what it is, it is indicative of the competitive situation, in which most industries find themselves now as a result of the liberalised economic policies which have rightly fostered greater competition in the interest of the consumer. The debt equity ratio of the company, taking into account the long term debt, is only 1:1 and even if you include the short term borrowing, it is 1.8:1. In the Indian context this cannot be considered high.

■ Looking ahead, what would you say is likely to be the growth and diversification strategy of the Murugappa group?

In the future we want to address ourselves to the task of discharging our entrepreneurial roles. We certainly appreciate the number of policy changes that have been brought about by the Union government during the last 18-20 months which we expect will suit people like us who have a strong and sound managerial and manufacturing base. Therefore we are looking forward to the internal growth of our existing companies — some of them require a certain amount of consolidation — and thereafter to the growth of some projects in hand which should fructify in the course of the next 12 months. Then also, there are some completely new green-field projects which we are looking at.

■ And in the wider perspective what is your reading of the trends within the economy?

Personally I am very enthused about current trends in the economy. In the short run there will be quite a shakeout in industry because of the element of competition that has been introduced into the Indian economy for the first time by the Union government's fairly liberal licensing policy. The effect of this is going to be that you have got to be a really low cost quality producer in order to meet customer demands both for durable consumer goods or otherwise and for industrial goods and intermediates. The competition is going to be much more severe in the short run; therefore some people are bound to suffer.

Nevertheless, I believe Indian business has the gumption to be able to respond to the challenges before it and to compete first internally and thereafter even globally.

If you look at the economically prosperous nations it is because they have thought globally. This is why they are so successful. In my view, the set of policies that have been announced in the last 18 months are only the first step. There are others to follow which will enable Indian industry to compete globally at least in certain industries in which we have the basic strengths.

Also, compliance with the country's tax law is being strictly enforced. Therefore the man who is not complying cannot expect to have an advantage over those who are complying. All these developments hearten me and I believe an environment in which people like us can do better than we did in the past is being created.

MODVAT

Modified Value Added Trade. A whole new value system created by MMTC. A unique export culture that will more than promote foreign trade—add a new dimension to India's economic prosperity. Enriching the quality of life itself.

MODVAT, MMTC style, has meant new vistas of growth to the small scale sector. Spearheading the export of non-canalised products, MMTC has helped industries to export aluminium conductors, stainless steel cutlery, handicrafts and brassware—all made from imported metals... the export potential unfolded by MMTC is unlimited.

MODVAT, MMTC style, has meant enlarged vision to manufacturers. MMTC has used Counter Trade to put the "export label" on an incredibly wide range of products—sandal soaps, photocopiers, tractors, naphtha, agro-marine products, soyameal, limestone, chemicals, computer software, rice bran extractions and several more.

MODVAT, MMTC style, has meant a sea change for the ports at Vizag, Madras. By helping in deepening and modernising the facilities in these ports, MMTC has increased their capacity many times over.

MODVAT, MMTC style, has meant new employment opportunities to people in economically underdeveloped regions. For example, the proposed deepening of Paradip port would also spur the growth of related facilities including the railway lines. Generating employment for an additional 30,000 people in the mining regions of Orissa and Bihar.

MODVAT, MMTC style, has meant a dazzling future for the diamond industry. Like the setting up of India's first diamond exchange—helping the importers, processors, craftsmen and exporters—to meet under one roof. Boosting export possibilities, preserving a traditional skill and creating employment opportunities.

MODVAT, MMTC style, has meant a new sense of pride and a promise of prosperity to the Indian farmer. MMTC has secured export orders for over 1,50,000 tonnes of wheat—for the first time, foodgrains are being exported to countries like Jordan and Democratic People's Republic of Korea.

MODVAT, MMTC style, has meant a new lease of life to the Kudremukh iron ore project and the Andhra Pradesh Mining Development Corporation for whom it secured export orders through persistent efforts. Thus reviving a total investment of over Rs. 700 crore and ensuring continued employment for about 3000 people in both these corporations. Examples of the new value system created by MMTC are endless.

Modified Value Added Trade. A new direction to industrial growth; a new perspective to economic and social prosperity, whose cascading effect is enriching the life of the common man.

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cruit top drawer professionals down the line had not received concentrated attention. Consequently the remuneration, rewards and promotion systems in the companies within the group tended to be arbitrary and inconsistent. Indeed the standard complaint within the growing community of professional managers is that while the TI group companies offer good career prospects, their remuneration packages tend to be much less generous than those offered by other business houses of a similar size and standing.

Not surprisingly, the fact that T. Satyanarayanan (40), a mechanical engineering graduate of Madras University and IIM-A alumnus who has served longish stints in the personnel division of blue chip companies such as Larsen & Toubro (1971-75) and TELCO (1975-84), was signed up as deputy general manager of the TI group, is being widely welcomed as an earnest of the top management's intent to iron out the wrinkles in the group companies' recruitment and reward systems.

"When I joined the group in 1984, I got the impression that its culture was rather formal and impersonal. Therefore I saw my primary task was the creation of a concern for people within the group companies. The task as I saw it was to streamline the systems and procedures for dealing with managers' problems. This in turn required linking and systematising recruitment, personnel administration and performance appraisal and reward policies," says Satyanarayanan.

EXTENSIVE DISCUSSIONS

And in the brief while that he has been with the TI group, Satyanarayanan has not done too badly either. With effect from April 1985, a new performance appraisal system has been introduced after Satyanarayanan held extensive discussions with 120 middle and senior level managers to "obtain their commitment to the system." At the same time the number of in-house management training programmes for managers has been increased from 22 in 1984 to a budgeted 90 in the current year. The result of all these activities in developing the company's human resources is that the companies in the group are attracting job opportunity enquiries from "highly competitive professionals," says Satyanarayanan.

Even on the industrial relations front, in which the flagship company has a patchy record, the going is good. According to Satyanarayanan there is a "deeply anchored cooperative culture" between management and labour in the TI group companies. "There is also an unusual awareness of the value of productivity within the rank and file of employees. This augurs well for the long term health of the businesses of the group companies," says Satyanarayanan.

"When I joined the group in 1984, I got the impression that its culture was rather formal and impersonal"

T. SATYANARAYANAN

It is just as well that all the companies in the TI group are exhibiting an overdue urgency about consolidating, expanding and diversifying their businesses and are paying attention to developing their human resources simultaneously. They have to make up for lost time. M.V. Arunachalam, the chief executive of the TI group, admits that the fear of the conversion clause (by which public sector term-lending institutions hitherto reserved the right to convert loans in equity) and a cautious adherence to the letter and spirit of the plethora of anti-growth rules, regulations and policies of the Central and state governments, have restricted the growth and expansion of group companies (see interview p.43).

Comments Dr. Besant C. Raj (53), an alumnus of IIM-A and former director of studies at the Administrative Staff College of India, Hyderabad, and currently a nationally reputed Madras-based management consultant: "In many ways this is a very solid group managed by a top management which has a full sense of responsibility. But though all the companies in the group are well managed, the top management has not exhibited much dynamism. In terms of the resources that it possesses, it could have been one of the fastest growing industrial groups in the country. What is lacking is aggressiveness — a willingness to take risks. They prefer to play safe."

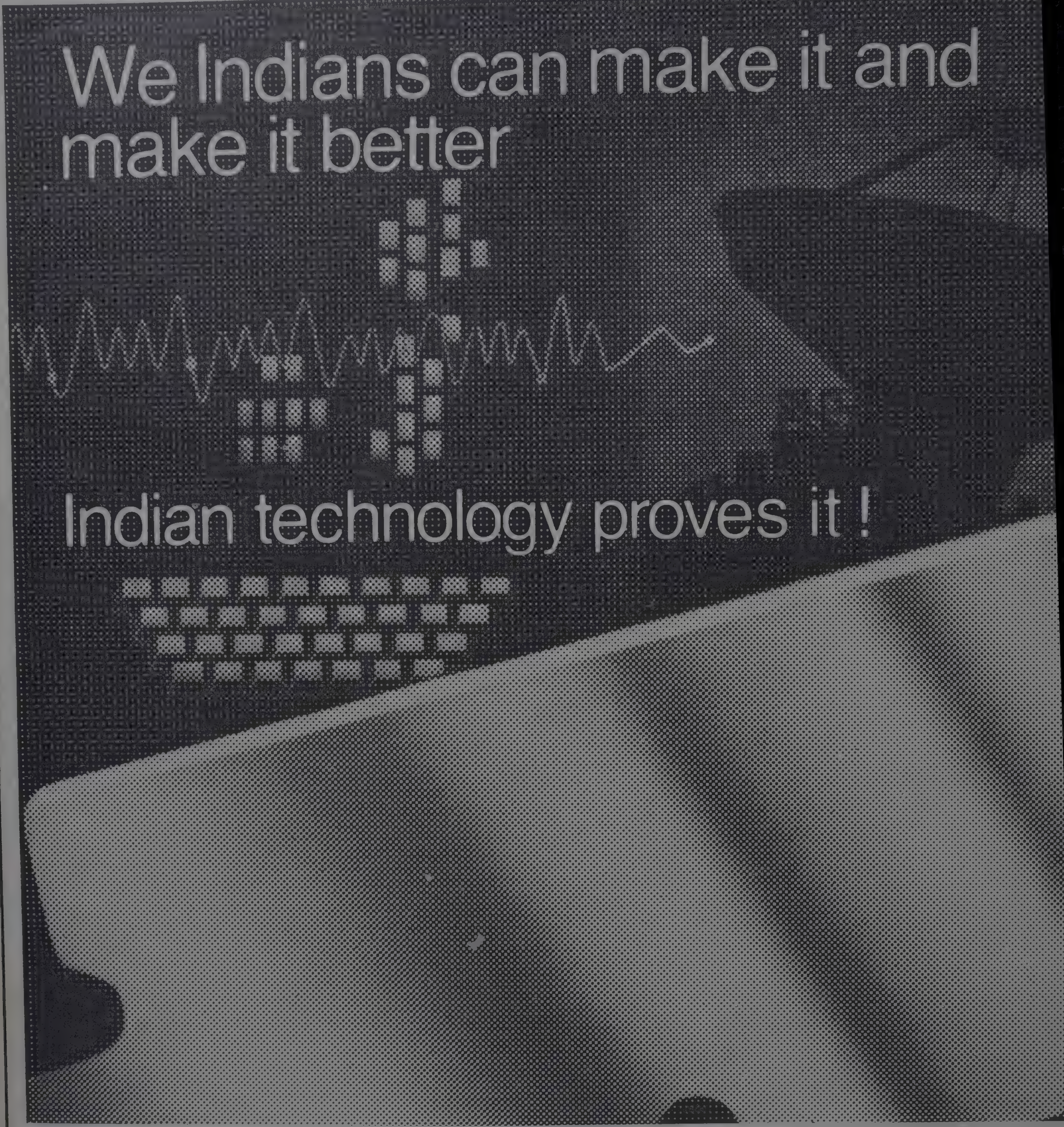
NON-PAROCHIAL CULTURE

But though he is obviously disappointed by the poor risk-taking abilities displayed by the TI group, Besant Raj is not blind to its virtues. In particular, he singles out its non-parochial culture and commitment to professional management for mention. "The TI group has a large number of professional managers who are recruited on the basis of sheer ability. Its top management is not at all parochial as they hire professionals from all over the country and give them responsible positions. It is perhaps the most open of the south Indian business houses. I am also glad to detect dynamism and some venturesomeness within the group in the recent past which is evidenced by its recent takeover of EID Parry and CWS," adds Besant Raj.

The momentum generated within Tiam House (the headquarters of the TI group of companies in Madras) by the assumption of managerial control of these asset-rich companies, is likely to be sustained in the light of the more liberal industrial licensing and expansion policy regimen — a factor of critical significance for the top management — decreed by the Rajiv Gandhi administration. M.V. Arunachalam with characteristic candour admits that hitherto the members of the Murugappa family tended to be somewhat too preoccupied with their managerial — to the exclusion of their entrepreneurial — roles. But with the large-scale induction of professional managers into senior positions within the group companies over the past few years, Arunachalam believes that the time is ripe for family members to "step back" and discharge their entrepreneurial roles.

"We intend to address ourselves to a greater extent to our enterpreneurial role in the future. We certainly appreciate the number of policy changes introduced by the government during the past 18-20 months which I believe will suit people like us who have a strong and sound base and who are not inclined to be speculative. Therefore we are looking forward to the consolidation and growth of our existing companies and also to promoting several green-field projects in the near future," says Arunachalam.

Quite obviously a sleepy giant with great potential is beginning to flex its muscles in the deep south with consequences which are certain to be beneficial for Indian industry as a whole. BW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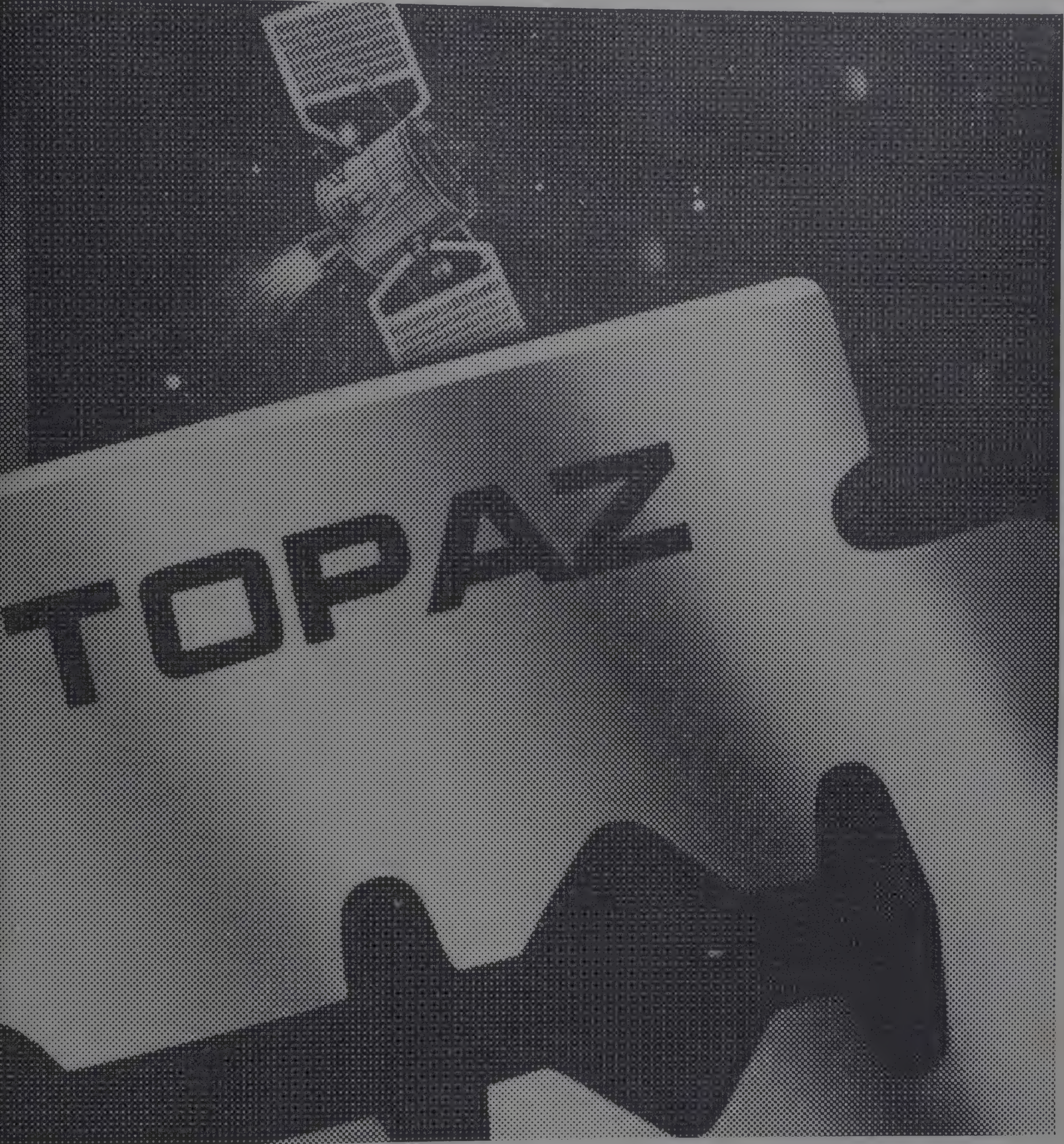

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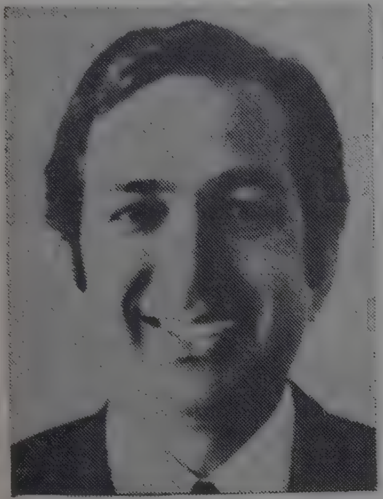
BusinessWorld
September 29—October 12, 1986

The subtle art of selling

SUSHIL BAHL



Self-confidence and the ability to effectively communicate with and motivate others are the two most sought-after attributes of sales personnel everywhere. These winning qualities open the doors to opportunities and help make life a productive, joyous and successful adventure for salesmen and sales managers. The method of developing these attributes is to identify and understand certain psychological behaviour patterns in one's own self as well as the 'self' of others (customers). In contemporary sales management jargon, the study of these patterns is called sales cybernetics.

Standard methods of selling, such as the age-old and universally accepted AIDCA (attention, interest, desire, conviction and action) formula, or Dominio Principle, are still essential. But, in the context of the contemporary competitive situation in the marketplace and the communication explosion in the media, the psychology of self-motivation plays a crucial role in developing successful personal selling abilities. This necessitates sales personnel developing—or being encouraged to develop—the attributes of positive thinking, habits and emotional responses.

AFFIRMATIVE THINKING

Cybernetics experts who believe in and practice the art of psychological selling, argue that to increase sales effectiveness one needs to reverse negative thoughts and habits and programme affirmative ideas, feelings, beliefs and desires into a salesman's mental computer. One needs to develop the habit of thinking in terms of affirmatives such as exact times, places, dates, people and goals without being too vague or too general. Another feature of such programming techniques is that the 'end result' of a salesman's efforts will spring entirely from the intensity of his preparation. If he thinks and plans positively, he will reap what he sows. And it is pertinent to bear in mind that the best salesman is one who does not indulge in gimmicks, does not apply undue pressure and does not make dishonest claims but stimulates a fair exchange of information and ideas with a view to providing complete customer satisfaction and earning goodwill.

It is but natural that every customer, whether consciously or subconsciously, makes a cost-benefit analysis when he or she makes a purchase decision. Hence, it is the primary task of a salesman to highlight the benefits of the product or service he is selling and to tailor the product-benefit message in the light of the needs of each specific customer. Indeed, cybernetics experts argue that the so-called 'selling process' is actually a buying process. The successful salesman, therefore, is one who effectively understands the motives or goals of the customer.

One way of understanding customers, suggests Brian Adams, a leading exponent of sales cybernetics in the US, is by drafting an image profile of each customer 'type' that a salesman is likely to encounter in the marketplace. Ad suggests a listing of their strengths and weaknesses character and personality, and then searching for and loca the best sales pitch for each individual type. To help salesr and sales managers get started in this direction, he identified some of the typical buyers that one comes acros life—the staller, the methodical thinker, the insecure i vidual, the conceited buyer, the impulsive purchaser and talkative, suspicious and complaining customer. In additi there is the 'nodder.' In his book *Sales Cyberneti psychology of selling* Adams has suggested some ways which these representative types can be successfully tackl

MOST FRUSTRATING

□ The staller is one who will think of every excuse in book to avoid saying yes. This type can be the m frustrating individual to sell to. To him a salesman m emphasise the loss caused by delay. Suggest that waiting increase the basic cost as a price rise is usually inevitab

□ The methodical thinker is one who usually needs time understand and study a salesman's proposal. With him t salesman has to go easy and proceed with the presentati logically, step by step, and get him to agree with each poi one at a time. Pressure will not work on such a customer.

□ The insecure type needs real coaxing. He would alm always like someone else to make up his mind for him. Th he keeps asking questions, and prefers to "think about it a come back." He seldom does revert. A salesman has literally force him to buy.

□ The conceited buyer is one who claims to kn everything. He will often even attempt to teach the salesm a few things about selling. A salesman, therefore, has to p his ego and concentrate on clinching the sale.

□ The impulsive purchaser wants to get it over with, fast. salesman should not waste time on unimportant details, a be direct. He invariably buys what he wants to buy, so t salesman should give it to him straight.

□ The talkative customer type is a wanderer. A salesma invariably has to keep leading him back to the point and kee him pinned down to what he (the salesman) has come to ta about tactfully but firmly.

□ The suspicious type is the real 'motive' man. He alwa wants hard facts and reasons. While dealing with this type customer, a salesman must answer all his questions full honestly and without flinching.

□ The complainer type is one who may have already trie the salesman's product and has had a bad experience. Or h may have heard something negative about it from his frien or neighbours. He will thus complain and nit-pick. This typ of a customer needs a kind of psycho-analysis by th salesman—first to find out why the customer feels the way h does, and then to figure out what would induce him to make purchase decision.

□The 'nodder' type does not say much, but just shakes hi head. It is pretty hard to communicate with him. A salesma therefore has to use a subtle questioning technique to mak him open up, and thereafter sell him his proposal or product

As is thus obvious, a successful career in selling toda requires a combination of the ability to lead oneself as well others. A salesman must be able to motivate himself on th one hand, and by questioning, listening and observin understand what the customer wants and what are his re needs. The ability to develop this combination, and the follow up with a presentation which is effective because it tailored to the needs of the prospective customer, is the facto which distinguishes an 'order taker' from a professiona salesman.

ntelligence
nd humour

EYNOTE
y JRD Tata
ublishers: Tata Press, pp. 155, price:
.s. 95

ndia, it seems, owes a lot to a magnifi-
ent man who burst in on the nation's
onsciousness in a flying machine. A
mall blue and gold aviator's certificate
earing the number 1, dated 10th
ebruary 1929, recognises that JRD
'ata was the first to qualify as a pilot in
ndia. As chairman emeritus of some of
ne largest companies in the private
ector, JRD (as he is popularly known)
 his own way, has helped shape India's
estiny as surely as another pilot is
e-shaping contemporary India.

Thus a collection of JRD Tata's
peeches assume some importance.
Vritten clearly, often fearlessly, and
lways with intelligence and humour,
ne speeches provide an insight into a
nan who has been all too often projec-
ed as a ravenously ambitious capital-
t—an obviously erroneous conclusion
s the book under review indicates.

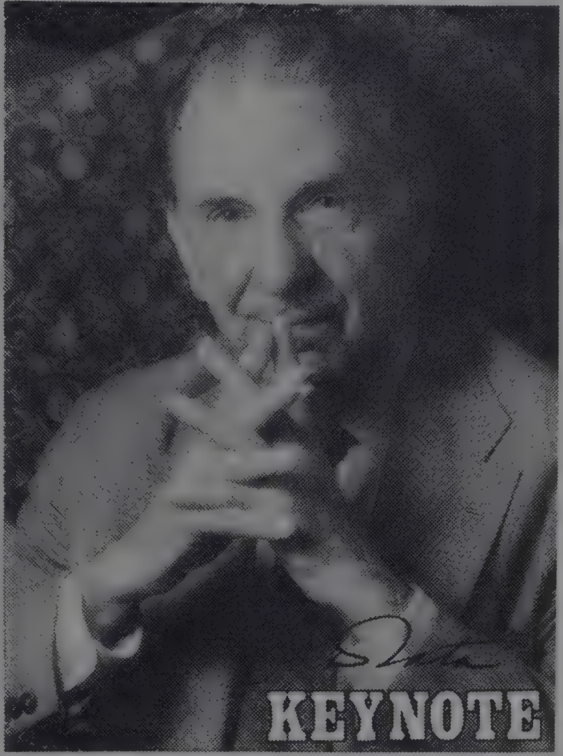
Catapulted into the leadership of the
usiness house of Tata by the deaths
rst of his father and then of Sir
Jowroji Saklatvala, JRD remarks upon
is coronation with dry humour: "In
938, my colleagues, all much senior to
ne, in a moment of mental aberration
lected me chairman of Tatas."

CHAOTIC EXPANSION

In the second chapter entitled 'Song
f the clouds,' JRD describes the oft-
old story of the creation of The Tata
Air Mail Service which metamorphosed
nto Air-India. But his views "about the
eroplane in its more sinister guise" are
erhaps not so well known. Speaking in
943, he warned "What it (the aero-
lane) has already achieved in this war
s a killer and as a destroyer of man's
reations is a grim omen for the future."
Later, JRD pithily sums up the story of
ndian aviation. "Nationalisation
rought to a close an eventful era of 21
ears marked first by pioneering en-
leavour and slow but solid growth,
ollowed by a phenomenal but chaotic
xpansion and finally by controversy,
onfusion and collapse."

Repeatedly using his position of
hairman of the country's largest pri-
ate sector steel company—the Tata
ron & Steel Co. Ltd. (TISCO)—to
roject his views, JRD vigorously prop-
gates his opinion of the mismanagement in the public sector, the needless restraints and weaknesses of the private sector, and the merits of a mixed economy.

As one of the supporters of the Bombay Plan which proposed a centrally planned economy as a means to speed the process of economic growth in India, JRD has perhaps the right to criticise the concept without being misrepresented as other capitalists unfortunately frequently are. Beginning with an excerpt from a speech delivered in 1948, the reader notices JRD's gradual disillusionment with the centralised planning process. In this excerpt, the government is praised for tackling problems of immense complexity with a measure of success, despite an uncooperative public.



In 1956, JRD warned against increasing governmental power in the economic field which he predicted was "on the way to a strange and unnatural combination of political democracy and economic autocracy." The TISCO chairman's statement of 1966 advocated fundamental changes in the concept of planning since "unrealistic and wasteful planning, excessive bureaucratic controls and expropriating taxation have been the three principal factors responsible for our present economic plight."

Exasperated by the government's obsession with the largely mythical bogey of concentration of economic power in private hands, JRD sarcastically writes: "As the head of the largest industrial group in the private sector, I must be possessed of a tremendous concentration of economic power. As I wake up every morning, I carefully consider to what purpose I shall apply my great powers that day. Shall I crush competitors, exploit consumers, fire recalcitrant workers, topple a government or two?" Instead he puts the position of managers in Indian industry in perspective: "Taking my own case, I doubt that there is anywhere in the world outside India any industrial executive in charge of a major enterprise with less real power than I have."

LURKING DESIRE

Comparisons between the two most prominent industrialists of India, G.D Birla and JRD Tata, are difficult to avoid. Unusual men both, they remained unusual well into their seventies and eighties. G.D. Birla climbed the difficult path to Kedarnath while JRD re-enacted his inaugural flight from Karachi to Bombay when he was 78. For Birla it was an act of faith, and of a wish similar to that of Tata who hoped "this flight would rekindle a spark of enthusiasm, a desire to do something for the country and for its good name."

One could wish that JRD had mentioned, if only in passing, some of the managerial problems he obviously must have faced over the years, and his views on the changing character of the Tata group. In recent years the halo hovering over the Tata name has unfortunately slipped somewhat, with the unseemly controversy over the National Centre for Performing Arts land deal in Bombay; probes into insider trading in Tata Tea, the poor management record of the Tata textile companies, and the environmentalists' charges of pollution from various Tata power plants.

Though in his foreword, JRD says, "What can I say about myself that isn't either well known or insignificant?", some unusual anecdotes liven up the pages of *Keynote*. For example,early in the book, JRD recalls: "My first contact with the airline business was, literally, a striking one, which occurred one day in 1930, at Le Bourget Airport of Paris, when at the controls of a small plane with no brakes, I drifted into the tail of a large Imperial Airways Argosy airliner ready for departure and put it smartly out of commission. Imperial Airways were not amused." The collection also offers a rare glimpse of JRD Tata's wife when the newly married couple *gheraoed* Sir Stanley Jackson, the then governor of Bengal, to protest against his keeping a hundred cars full of people waiting to let his car pass.

Though an index would have been useful, *Keynote* is a beautifully and faultlessly printed and bound slim volume, with a rich feel not reflected in its modest price.

Gita Piramal

Leaving Levers

Prakash Tandon is perhaps India's most well-known and widely respected professional manager. In his career, which began when he joined Lever Bros., Bombay, as a market research assistant in 1937, he attained many distinctions and was appointed the first chairman of Hindustan Lever (1961-68); chairman of the public sector State Trading Corporation (1968-72); chairman of the Punjab National Bank (1972-75); and director general of the National Council of Applied Economic Research (1975-80). Currently Tandon is the honorary president of NCAER.

Even while he was carving out a career as one of the most respected managers in Indian industry, Tandon found time to write a three volume autobiography, rich in social history and which is popularly known as the Punjab trilogy.

In the last extract, we had featured Tandon's account of the growth pains of the Indian Institute of Management, Ahmedabad of which he was the first chairman of the board. In the current extract we feature Tandon's account of his decision to quit Hindustan Lever and take over as the chairman of the public sector State Trading Corporation.

On my return to Bombay from Los Angeles I plunged myself into the five year plan for Hindustan Lever. Prepared mostly in my absence, it was a thorough and polished effort that made only one major assumption for fulfilling its ambitious targets—to be permitted to grow. It made the minimal demands on public funds, foreign exchange or Unilever help; its accent was on research and development and import substitution. The new research and development laboratory, the recent reorganisation, and the growing cost-consciousness, would assure a high rate of growth, despite all the constraints, if only these became no worse. Research was led by a young able scientist, Varadarajan, whose rare passion was the profitable application of science to industry.

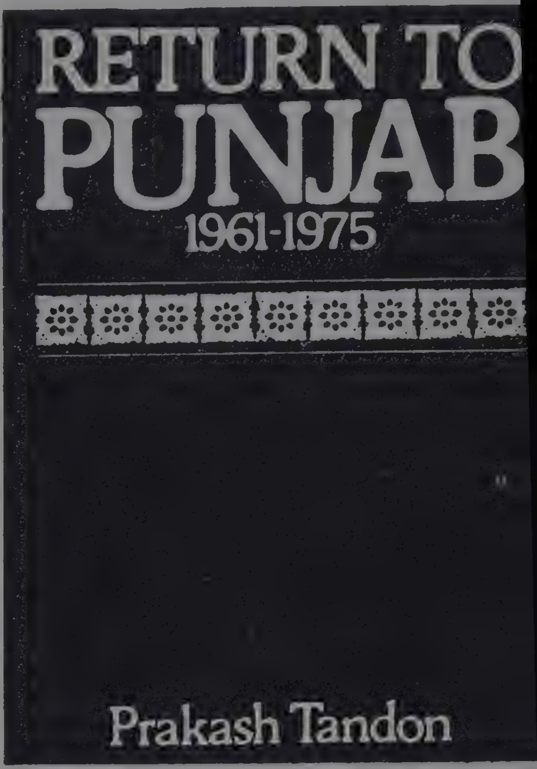
I went to talk to K.B. Lall, who remembered how I had called on him six years ago to discuss our plans then. He lost no opportunity to press his point and said, "Ah, this is the time you should leave; don't have the vanity to do two plans; leave your successor with something to do, as did your predecessor." I explained that I had no one ready, though we had someone in mind. Rajadhyaksha was going to be made vice chairman the following year, and would be groomed to take over on my retirement three years later, in 1971. It would not be fair to leave at this stage and force them to bring in an expatriate chairman.

However, I offered to help STC with advice, but at this he laughed. He said it might work in Levers, but it would not work in STC, because their government culture was different. Advice from outside would make no difference; they would listen but go on as they were, with the possible danger that they might even turn my advice to their advantage to do what they wanted but ought not to do. And yet if I sat in the chair they would do as I bid; if there is one thing they do understand, it is orders. I saw his point from my experience in Hindustan Steel. They seemed as incapable of using advice as arguing with an order, good, bad or perverse. It was an interesting culture of total deference to power.

K.B. Lall must have thought it over however, because on my next visit he suggested that I talk to STC about their organisation structure. The minister had plans which he could not put through because in its present shape they both doubted STC's capacity to carry a much bigger burden. He had therefore made an appointment for me to meet the chairman of STC.

I would not have been surprised if he had deliberately sent me to bring his point home; so abortive was my visit, in an almost ludicrous way. A clerk met me to say that the chairman had been called away to a meeting but had left word that I might meet one of the managers; I was therefore going to be led to the head of their economic division. My disappointment somewhat lightened at the thought that at least they had such a division.

The important gentleman who received me began by describing himself, a barrister-at-law, who had held various important posts in government, and now headed this big department. I discovered however that despite its name it consisted of a large number of clerks and managers, and the head of the economic section was a graduate in chemistry. Their only economist had left in disgust soon after joining. The department assisted the chairman in answering parliamentary questions, and currently in his problems with Parliament itself; it also controlled for
offices and their postings. The ultin
prize in the corporation, as a rewarc
good service, was to be given an im
tant division, however unrelated to y
past experience, or a posting abro
which this gentleman himself was h
ing to get next year for his last th
years of service. Instead of posting
younger men abroad to bring back t
experience to the headquarters, t
mostly retired at the end of a post
abroad.



He looked blankly at me when
asked him about their plans, or an
changes they had in mind. Why shoul
they want to reorganise or change? A
for planning, government made the
decisions for them; so really gover
ment should plan. He turned happily t
describing his job and brought out a pil
of studies of various countries that h
had prepared for exporters. I thumbe
through some and found them simp
accounts of geography, people, produc
tion, imports and exports. He told m
that they had been found so useful tha
they were going to be reprinted. As h
seemed quite uninterested in the pu
pose of my visit, I thanked him and lef
and complimented K.B. Lall for reall
understanding his STC. Having pe
suaded him and some others that whil
glad to serve the public sector I was no
at least yet, ready to join. I returned t
my own problems in Levers.

A recently introduced reorga
nisation of Hindustan Leve
with a far reaching change
accepted readily in Bomba
and Madras, with surprisingly only

oken opposition in Calcutta, then in a eal industrial turmoil after its first ommunist government came into pow- r, ran into considerable trouble in elhi.

There one way or another it connued for many years, even after I left, nd the matter was taken by the Delhi nion as far as the Supreme Court, and ost there. The proximity of Parliament reated its own pull on industrial retions, to keep even a non-issue alive, hich elsewhere would have been reolved. Politicians would be invited to ecome presidents of unions, address onventions and meetings, ask quesons in Parliament at each session, lead elegations to a minister, and get some f the capital's numerous press corresondents interested. Under the patronge of a political personality, there were any means available to keep a probem alive; while a question in Parliaent could be arranged for the asking, ometimes without first ascertaining cts.

Though this reorganisation, a feeling egan to grow in me through 1967 that ccumulation of Hindustan Lever's inernal and external problems was once gain making Unilever somewhat sensive. After the two difficult years of 966 and 1967 of bad monsoons, the conomic situation worsened in the ake of a big devaluation in 1966, and e first of a series of recessions set in. overnment promptly introduced tight ontrols, and as a result our profitability ell. Unilever appeared to feel that my rowing involvement with government, hile it might have had some limited alue, was resulting in my handling our wn problems with government with ss directness and vigour. I was too lose to them to press our claims at the sk of upsetting them; I was also ending too much time with governent enterprises and committees, and y three months' absence at Los ngeles, for something that had no irect relationship with their business, ere all indications to them of my iminishing interest. Hoskyns-brahall, in charge of India, once asked e how much time did I spend with overnment and when I said about ne-quarter, he was surprised, because ey were under the impression that it as more than half.

A small but interesting problem, which delicacy prevented me from discussing with them, was my feeling about the growing ck of interest among the Unilever oung to come and work in the Indian usiness. Two directors, and an odd specialist we might need for starting something where we had no experience, was all we needed. In 15 years, when the business had grown much in size and complexity, the number of expatriates had dropped from over 50 to a mere four or five.

Unilever were keen to have a couple of their promising men on our board, but it was becoming increasingly difficult to bring out men who were interested in the country, and would regard India as more than an interlude that furthered their career. At their level they had not only to be really able, but they had to demonstrate their leadership over men nearly always older than them, and usually no less able. They also had to be liked, and to be liked they had visibly to like working in India. We made it easier for them to go home every year on leave; and there was of course the spreading knowledge in Unilever that those who made it in India had a good chance of making the home board. Somehow this seemed to add to the intolerance of at least some for having to make it in an environment they did not like. The congestion and climate of Bombay, the unfamiliar and seemingly unnecessary problems of business, the struggle always with raw material shortages and production constraints, were enough to fray a national's nerves, but to them even the greater glory of Unilever appeared not a good enough cause.

'The more I thought about it, the more I came to the conclusion that time had come for me to go. There was on the other side the insistent call of the public sector that I seemed no longer willing or able to resist'

At the beginning Unilever would arrange for me to meet the man and his wife, and usually an ex-India hand would do some gentle selling beforehand; but usually it became a process in reverse, the couple especially the wife, interviewing me instead. Some took a chance and decided against India, secure perhaps in the feeling that if they were good enough to be tried in India they would still be tried somewhere else. I had one dour unhappy person who, had it only been realised, was obviously going to be ultimately unhappy anywhere. Another liked India perhaps even less, but he took it more shrewdly; both however were never really part of the business, and one could not even derive advantage from their not being a part of the scene, because they were not objective. I somehow got the feeling that they were enclaves that Unilever were not willing to discuss; in fairness though, and this was more likely, they had not given much thought to it; at least they never discussed the subject with me and I left it alone.

Seven years' stewardship of the company was also perhaps long enough in itself, and a change was needed for Hindustan Lever's sake, for Unilever's sake, and for my sake. I was becoming increasingly conscious of how easily the answers came to me, the facile temptation to repeat what had worked once. I remembered the remark of a professor at Harvard that a management will tend to do in the future what it thinks it has done well in the past; and in that lies a danger. If I stayed longer there was both the danger for me of getting stale, if I had not already become so, and of building up a feeling against them; they who had always been supportive and constructive. There was besides the danger of my justifying those feelings in an unfair way.

The more I thought about it, the more I came to the conclusion that time had come for me to go. There was on the other side the insistent call of the public sector that I seemed no longer willing or able to resist. I was forming an attachment that was pulling me towards it; knowing though that it was not going to be an easy master to serve. K.B. Lall had guessed well.

Just then a small incident, of no particular consequence in the normal way, conveyed to me that they were becoming edgy; and in retrospect that perhaps I too was becoming edgy. With no one to discuss the problem with, I thought, perhaps brooded over it for some days. At a Board of Trade meeting in Delhi in January 1968, on an impulse I sent a scribbled note to K.B. Lall to say—the answer is yes. Back came a note from him that this was very good news; when? As I left the meeting before it closed, he followed me out and wanted to know more about it. I explained that I was going for a week's holiday to the Kulu Valley, where I would have plenty of time to think over the decision that I had made only a few minutes ago. He readily agreed that we would discuss it further on my return.

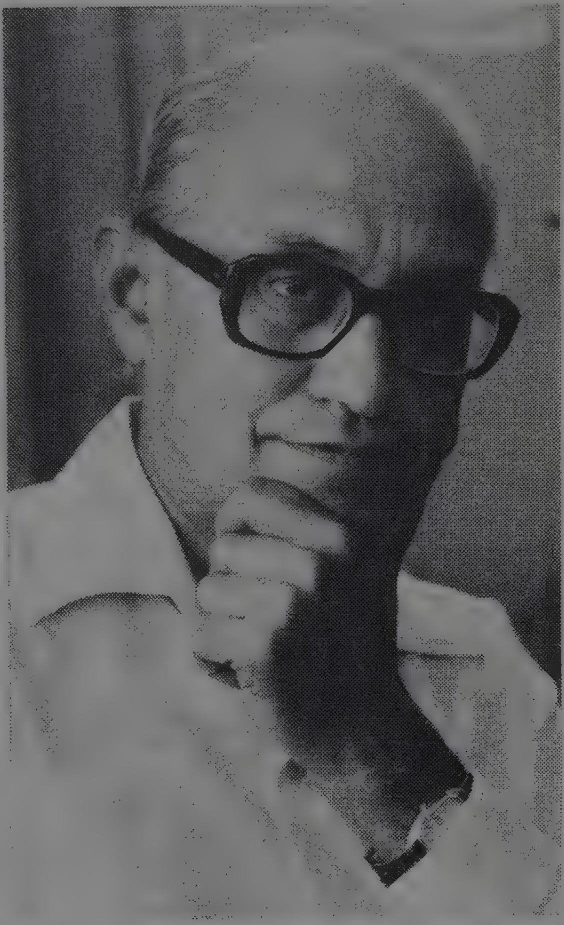
It snowed all week at Kulu, so I had plenty of time to think over the decision. It seemed best, all things considered, to go. I was interested and curious to work in the public sector. Later that month I was to visit London on Andrew Knox's retirement, and that would give me the chance to talk things over with them. He was leaving the company after 50 years of service, and a great meet had been arranged of all the chairmen of the companies that he had been associated with, and as India had always been his first love I was given the honour of making the farewell speech at the banquet.

Before leaving I asked K.B. Lall if I could return via Moscow to get some feel of what it would be like to deal with the most important customer of STC, Russia. He thought it would be a good idea to visit the STC office in Moscow and the commercial section of the embassy This step, taken purely out of curiosity, took me still further towards the final decision. News also came from London that with the departure of Andrew Knox there would be changes in the overseas committee, and Hoskyns-Abrahall would also be retiring.

In Hindustan Lever, the vice chairman, Ramaswami, one of the directors, was due to retire two years ahead of time to make way for Rajadhyaksha to become vice chairman. The year 1968 was picking up well after the last two bad years, both in the economy and in the firm, and this was reflected in the results of the first few months. Thus wherever I looked I saw signs that this was the best time to go. Let Rajadhyaksha take over as chairman and deal with the new overseas committee, and make this equation. Let him start up the plan, with good results in his own first year.

On the Monday in early February, when the conference began in London, I wrote a brief note to John Abrahall saying that in his year of so many changes it might be well for Hindustan Lever too to have its own change and begin with a new leader. This was perhaps the best time for me to make a new start. Government had been making repeated offers; I would like to accept one of them. I left the note on his desk.

When I walked out of the room, that was the moment of leaving; not when I actually left half a year later. I went back to the conference and joined my colleagues from many parts of the world, some of whom I had known over the years, as our careers went in their upward curves, meeting them at courses and at Unilever House, reading about their careers and the progress of their companies. And I sat among them, part of them and yet a part no longer, a nostalgia came over me. But when I thought of Rajadhyaksha and his young board, whose average age would drop to below 40 with the departure of Ramaswami and me—the new chairman himself barely 40—it seemed indeed the time to go. For many years I had been helping the young to rise, so that anyone who had merit got his first shot of senior responsibility in his early thirties, and had a chance to make the board in his late thirties or early forties. The logical consequence was for the old to retire voluntarily and before their time.



V.G. Rajadhyaksha: Tandon's successor

At lunch, John Abrahall walked straight up to me and said, "Well, that was a surprise." Next morning he, Andrew Knox and I spoke about the timing of my departure and the succession. I thought how fitting that I should be discussing it with Abrahall, who was the one sent out to India over 20 years ago, soon after the war, to start the new process of Indianisation, with instructions no doubt to identify and train the first Indian chairman.

The process by now was so well set that I had no hestitation in recommending Rajadhyaksha, even though meant promoting him straight fr being a director. Abrahall wonde vaguely whether I would stay on fo period as president or something to the transition through, but I told h that in joining government it would best to make a clean break, for bo government's and the firm's sal There was certainly no point, th agreed, in bringing a chairman out three years; the process of Indianisati at the top having started, there was point in even a temporary deviatic Rajadhyaksha would no doubt make good a chairman now as three yea later; he had the qualities that inspir us to trust him with the responsibil now; that in itself would bring the be out of him. If ever I admired Unilever was in such moments of trust ar decisiveness. I reminded them of th succession plan that we had discusse seven years ago; at least it had worke on this occasion, in its first major tes

Later in the public sector I missed th more than any other tradition of th firm. There top positions could rema vacant for a year and more, and th process of selection was long and vaci lating, and sometimes the final selectio incomprehensible, even perverse. Th appointment of even a selection committee for the public sector did not wor too well. Planned succession seeme alien to the culture, and consequentl also a continuity in policy.

Through the week of the confer ence I began to feel the excite ment of a new career. I though of a new life with its unfamilia challenges. I would miss, from wha little I knew about the public sector, th order and predictableness of the systen I was leaving behind. I had worke nowhere else, and the culture of th firm was all I knew. I realised that th doubts I had lately begun to harbou about Unilever were merely my way o pushing myself into a decision to leave I was now sure that in fact neither the nor I really felt that we had had to much of the other; although it was tim anyway for a change. K.B. Lall woul have won anyway.

Looking around at the group o chairmen at the conference, each one o them well selected and groomed wit meticulous care, among the best executives in the world, I wondered hov much freedom would one enjoy to develop such talent, with care, consideration and feelings for the person. Thi was one thing I was going to miss i administration. Aspi Moddie told me later, "You will find that in it man doe ot matter: the designation, the rule, he file; all but the man."

A few months earlier, Andrew Knox ad taken farewell of the Indian company in Bombay, where he had broken own. I wondered therefore how it ould go at his final farewell, and as I oke I found it more difficult than I ad expected, because I was saying my wn farewell too, but Andrew must ave understood my feelings. He and brahall were men I held in great egard, men so different in appearance, ays and style, but both men of pure alues.

I took the Aeroflot flight to Moscow the next morning for a week to a world quite unknown. With Unilever, and later with STC, I travelled to any countries, in all continents, but to ach new country one could extend ome pre-knowledge, culled from ooks, newspapers, films, people, so hat one could build up some familiar xpectation of the new country; but not o with Russia. I had seen perhaps a dozen Russians, spoken to one, and known none; and this for someone who had been brought up in his youth in Europe, and revisited it many times. Even in Sweden, that had become my second home after I met Gard, you never met one, even though they were neighbours. One's total contemporary knowledge came from their propaganda literature, a Unilever buyer who had been there to discuss a sunflower deal, Wendell Wilkie's account in "One World" of his visit during the war, and some contemporary literature and music.

'The few shop windows, the goods and food in them, people and their figures and dresses, the new cars; everything had a functional look about it of a no-nonsense and no-frills, no-glut and no-waste society, whose decision-makers saw things simply and austerely'

The air hostess gave a monosyllabic reception, and when I asked if I could sit at the back, she just said, no, and I discovered that that was where she was going to sit herself much of the time. After we took off, I asked her if I could have a drink, she said, no, and as an afterthought, added, later. Much later, after she had served the crew and eaten herself, she asked "you eat," and added generously, "drink?" I consoled myself with the thought that she and the crew were at work, while I was doing no work; perhaps therefore she had the right approach to serve the workers first; besides, it was a change from what might have happened with a friendly and voluble hostess on a long flight with no other passengers in the forward cabin. I saw the sense of it. It was the same democratic reluctance to serve at the hotel, an old-fashioned place called the Peking, which, I was told, could neither have its name changed nor receive a facelift while the relations with China remained as they were. It had the familiar ring of experience of our own state-owned hotels and public service counters.

As it was Saturday night, and though it was past midnight, I asked the young man from the embassy who had met me at the airport, if I could take a walk in the street. He offered to come out with me and explain things. The night was cold, though I was informed that for the first time in weeks the temperature had risen to a mere minus 12; but there were a lot of well muffled men and women walking in the streets with an air of nowhere to go.

He explained that government had recently declared a five-day week, but as there were few private cars, no tradition of a weekend, and few restaurants and bars, people just walked about. He added, government ran into an interesting problem that it had not expected. With little to occupy the long weekend the consumption of vodka went up. The strong impression on me of that night and on the following days was one a European city that affluence and its concomitant noise, fumes, cars, neon signs, advertisements, crammed shop windows, the total nervous rush and bustle, had passed by, leaving a simple calm behind. The few shop windows, the goods and food in them, people and their figures and dresses, the new cars; everything had a functional look about it of a no-nonsense and no-frills, no-glut and no-waste society, whose decision-makers saw things simply and austerely.

On Sunday morning, I walked about the streets again. The air was crisp and clean, and there were fewer people, even fewer cars, and even more calm. I later went to our commercial counseller's house, in a block of flats built for embassy staff. At the entrance there was a Russian guard, who opened the gate and let you into the privileged and protected enclave. All foreigners lived thus, I was told, on their islands, whose drawbridges were lowered in the morning and lifted at night; the single gate guarded during the day, with all communications for all services, except their daily shopping, channelled.

A few blocks away there was a large building that ran along the entire length of the street, called the Friendship Street; this building was practically deserted ever since most of its inhabitants, the Chinese mission, had left. The mission had been built and the street specially named in the first euphoria of friendship, the time we were also *bhai-bhai* with them; and then it must have burst with activity, but now it stood in silent protest. I walked about this suburb in the cold undisturbed air, and I thought if only Moscow, the capital of a very large country with a relatively small population, could stay that way and escape the kind of affluence that its leadership was already threatening it with but never seemed able to achieve. If it had only 12 gas stations, it also had so much less gasoline in its air; and yet they proudly told you that the plan promised to begin pouring thousands of new Fiat-made cars into Moscow. An endearing explanation you could offer for being late was the heavy traffic.

'The deal was interesting, because we had never met Russians before, and the negotiations were like bargaining, with bids and counterbids, and new conditions introduced every now and again, sometimes quite incomprehensible to us'

On Monday morning I went to visit my first Russain public enterprise, which had bought its first consignment of detergent powder from Hindustan Lever. The deal was interesting, because we had never met Russians before, and the negotiations were like bargaining, with bids and counterbids, and new conditions introduced every now and again, sometimes quite incomprehensible to us. We showed them some of our brands and asked them what brand name they would like, or did they not believe in such a bourgeois practice.

SOUTH INDIA VISCOSE LIMITED

Registered Office : "ROSE BED", 334, AVANASHI ROAD, COIMBATORE 641 018.

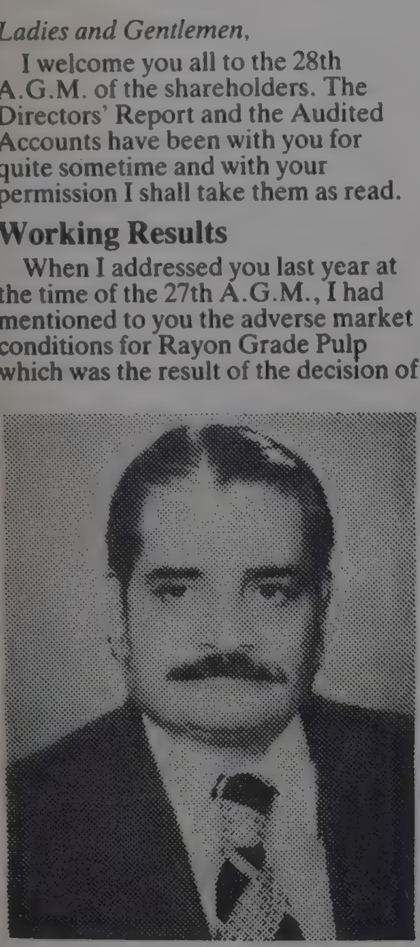
Statement of the Chairman, Shri SHANTANU N. DESAI at the 28th A.G.M. of the company on Friday 29th August, 1986 at Coimbatore.

Ladies and Gentlemen,

I welcome you all to the 28th A.G.M. of the shareholders. The Directors' Report and the Audited Accounts have been with you for quite sometime and with your permission I shall take them as read.

Working Results

When I addressed you last year at the time of the 27th A.G.M., I had mentioned to you the adverse market conditions for Rayon Grade Pulp which was the result of the decision of the Central Government to abolish the import duties on Rayon Grade Dissolving Pulp and at the same time to allow its import under OGL. On the representations made by your Company to the concerned authorities in Government (the Chief Controller of Imports & Exports) in September 1985 the Government removed the import of Rayon Grade Dissolving Pulp from OGL and placed it under the restricted category. It was only thereafter that the Rayon Spinners resumed their purchase of Rayon Grade Pulp from SIV. But the fact remains that for several months, sales of Pulp by your Company was badly affected and this primarily accounts for the comparative less gross profit earned by your Company. At one point of time your company was compelled on account of financial constraints to dispose of pulp at substantially lower rates. This has again contributed to the lower gross profit figure which you find in the report. Against this background you will agree that the overall performance of the Company is quite satisfactory and in view of these good results the Board of Directors recommend a Dividend of 18%. I may also add that the Company's working for the year1986-87 has so far been satisfactory.



SHRI SHANTANU N. DESAI

I shall now turn to the economic scene in the country.

Seasonal Conditions

As you are all aware in India in monsoon plays a significant part in the economic conditions. Last year was not a good year from the point of view of rain fall. Many parts of our country suffered severely on account of drought conditions. Even drinking water became scarce and many people suffered not only in the villages but also in the towns. The hope therefore was that at least the monsoon during the current year would bring substantial relief. While in the Northern region there was more than normal rainfall and some places were even flooded, in the South, it was less than normal and the fear was that for another year the monsoon would fail us. The Governments at the Central and State have been rushing relief to the poor and affected. Since the middle of this month however there has been very good rain in the Southern region. Heavy rainfall has been registered and the Eastern rivers like Cauvery and Bhavani are also full. Drinking water situation has improved considerably and the prospects of a good first crop of cereals is assured. Hydel Reservoirs are filling up at a fast rate and the levels are higher than at this time last year. The Tamilnadu Government has just announced a reduction of power cut from 40% to 20% to all High-Tension consumers. This will help the Company. Therefore good economic conditions conducive to business should prevail in the country.

Liberalised Industrial Policy

As a result of the action taken by the Central Government under the liberalised policy we find that a large number of licences have been issued for the setting up of industries throughout the country. The public sector is also forging ahead. Large sums of money have been allotted. The private corporate sectors, as we read from the newspapers have been raising substantial funds from the open market for their projects. Licences having been granted and finance having been arranged it will now be for those in charge of the projects, be they in public or in private sector, to implement them in as short a time as possible so that more employment is created, goods manufactured and services rendered. The recent announcement by the Finance Minister to have a single window procedure for obtaining financial assistance from the Financial Institutions, is most welcome. It will save a lot of documentation and time. The Industry as a whole very much appreciates his announcement.

Your company proposes to set up a Joint Venture with a Company based in U.S.A. for the manufacture of Lignosulfonates and in this regard has also applied for industrial licence. Lignosulfonates which will be manufactured out of the Black Liquor which is a waste pollutant arising from the Pulp process in our factory are used in the oil drilling industry and also has other industrial uses. The requirement of the country are being met today by imports. Hence this high technology industry which your company is embarking on will contribute to the saving of foreign exchange. Other proposals for the setting up of industrial units is under study by the Management of your Company.

Power Situation

Since the middle of this month, rainfall in our area has been satisfactory. Due to heavy rainfall in the Western Ghats, the Hydel Reservoirs are being filled up fast. The Tamil Nadu Electricity Board has recently reduced power cut from 40% to 20%.

A systematic study has been undertaken of the working of various equipments and machinery in the factory and the process employed to see in what way saving of power can be effected. Large sums of money have already been spent in modification of the machinery and in changing practices and these have helped to reduce the requirement of power. This is an exercise which has to be continuously pursued.

While on the subject of power it has been stated by the Government that the scope for increasing the availability of power would have to be from non-conventional sources/ sources which are renewable. We hope that the Central Government would be able to find sufficient funds for this purpose and be able to implement them speedily so as to bring about the necessary stability in the power situation in this country by the end of the century.

Forest

Tamil Nadu Government have been pleased to allocate the wood for the year 1986-87. The quantity of wood allocated however falls short of our requirements and therefore representations have been made to the State Government to come to our rescue, as otherwise we would have to close down.

We have had discussions with the State Government regarding the setting up of a Joint Venture for growing Eucalyptus in the waste lands in the higher regions in the hills. On all accounts it is agreed that the yield per hectare of Eucalyptus can be substantially raised and the quality of the fibre of the wood can also be improved. It is with this motive th the Joint Venture proposal has be mooted. So far we have not had th final decision of the State Government in this regard and we shall be pursuing the matter.

As reported last year your Company has contributed Rs. 6 la to the Tamil Nadu Agricultural University to do research on the development of Eucalyptus with a view of improving its quality and yield. On our own we have a nurse and the seedlings therefrom are be distributed free of cost to the priva farmers in the hills. By doing so, th company is encouraging afforestat in the barren lands by private farm and improving the ecology in those areas. In the years to come the woc from these private lands would be available to the factory and the farmers themselves would get additional income.

Rayon Filament Yarn

The demand for Rayon Filament Yarn has not really picked up and continues to rule low. In Europe however there has been a spurt in th demand for Rayon Viscose Filamen Yarn and your Company received substantial orders, part of which ha already been executed and the remaining will be during the current year. You will all be glad to hear tha our quality of the yarn has been fou suitable and acceptable to the consumers in these developed countries.

Viscose Staple Fibre

As the Shareholders are aware, w have facilities to produce 11,000 ton p.a. of Viscose Staple Fibre but over the years, due to uneconomic prices and limited demands, our Plant has been closed. It is, however, heartening to note that as a result of increased production of Polyester Fibre, the demand for blending Viscose Staple Fibre has gone up. Your Company has decided to re-sta the manufacturing of Viscose Staple Fibre and also apply to the Government for permission to increase the production to minimum economic capacity.

Judging from the satisfactory performance of the company I am quite sure that with the active assistance from the Central and State Governments the Financial Institutions and Banks, the Company would be enabled to develop further and implement new projects and thus justify the hope that you all have in us.

Thank you.

S. N. DESA
Chairma

No, they must have a brand name—Umbrella; and when we asked for its equivalent in Russian, they said, simply nbrella. They asked for the panel on side in English, but not the Hindi on opposite side, to remain. They also nted to retain both the women on the nels, in the dress and in the saree. It n dawned on us that with good old versal advertising sense they were ing to give the pack an imported and otic look that would no doubt make it ast seller, and fetch a good premium. e Russian text was to be featured as a ncession to explain the use of the oduct; otherwise it was to look strictly ported and foreign.

We entered the building through a curity area and were taken up to a all room where an elderly officer and interpreter met us. I did not know ritual, so after the greetings, I asked ne knew our product and if he would e to tell me about it, how it reacted, quality, packing, etc. He said that eir president was busy, so he could t see me; and there was nothing he d to say about the product. I began to onder whether he knew anything about us, but apparently he knew a lot, d loosened up the moment I suggested that I could take it that they had problems. I had assumed that as this s the first consignment, they might ve had some trouble.

At this his face lit and he set forth lubly. There was nothing right with product, its quality, cartons, outer cking, delivery schedule. Apparently, with us, the way to a Russian heart s through an invitation to complain. I pt nodding my head, as he complained volubly, the interpreter barely le to keep pace; at least I had got him talk, and this so surprised him that I pected him to come forward with a claim. To anticipate such a move, I ologised for all that had happened. nder the circumstances it was as well r us not to receive another order, cause we were short of the product in e home market and had only entered to the contract for our government's odwill sake. We could sell all of it and a much better price than they gave . My helpful advice was that they buy in Europe in future.

I do not think he was sufficiently nior, and was sent because no one's me was worth the meeting with me; t at my unexpected reaction he emed to take fright. He excused mself and left the room. He returned ith a smile and was glad to inform me at the president had unexpectedly ecome free and would be glad to see e. They had done an excellent deal, at prices far below Europe, and paid for in non-convertible rupees, while we had to pay valuable exchange to import the raw materials.

From the small windowless, bare room he took me to a large handsome office with a view over the city. The president was a well dressed and impressive looking youngish man with some goldplated teeth; he walked across the room and took me to the conference table. He was expansive in his manner and conversed easily and amiably, through the interpreter of course, about our product, western Europe, Unilever and the current market situation.

> **'Just before his ministry's grants would come up for discussions, he would announce the appointment of a committee to review the working of STC, with me as its chairman; with of course a hint thrown to the press that I was likely to take over the corporation later'**

I was back in the familiar multinational world. He could have been an executive in Shell, Philips, Unilever or Tatas; but he was unusual, I found later. We did not discuss detergents much, and of course he had let the little man go; there was a more important looking man there instead. Eventually as I was getting late for a lunch appointment, I asked his leave. He got up, took me to the door and added happily that we would be meeting later as he was coming to our cocktail party. At the party he walked straight up to me and started an animated conversation, and I realised that he was speaking freely in English, without an interpreter. I discovered too that at parties only the ministers had interpreters.

I spent an interesting evening with the family of a young Swedish journalist, who had spent almost a decade in Moscow. There were some other European journalists too. He said the same thing; how much they had changed. Yet they knew no one they could claim to know. And never to be out of someone's sight; from the maid at home allotted to them, to the man who sat at the drawbridge, to the one who issued a permit to go 25 miles out of town; they were all solicitous but watchful. They had got to know a lot of people, but no one to whom they could say "drop in." They could, but there was a whole process behind the acceptance, and often someone else also came along. It was not only a different way of life but a different people.

It was facile to judge. One looked for the landmarks one knew well around the world, but these were different people; bred and brought up differently, I met one young recognisable kind of couple, casual, bantering, with a light touch, but even to them one could not say, "come and have lunch!" I soon stopped looking for familiar landmarks, and that made it easier.

After some illuminating discussions with our minister at the embassy, Damodaran, and sightseeing through Air-India, always a friendly outpost abroad, a look at Lenin, fresh-faced and roseate, as if he had died yesterday, a variety show at the Bolshoi, and the famous Working Restaurant for a vodka and caviar dinner, where couples danced sedately to a band literally from the thirties, I was put on the midnight Air-India plane from London, for the journey from the snow of Moscow to the summer of Bombay. Well muffled, under my new beaver hat, as I climbed the gangway in a long queue and stood in the freezing wind, while a much better muffled Russian policeman stood inside the warm cabin, examining each passport for the last time with great care, I knew that I was going to return. In dealing with the Russians there was the familiar prospect of many things in common.

K.B. Lall was pleased with my visit. A satisfactory report had of course already reached him from Moscow. We began to plan together for the many details involved in joining the public sector at that time, for someone from the private sector, and a foreign firm at that. His complex mind would not envisage anything simple; he had to devise a strategy. He had rightly expected the STC trouble to rise to a pitch during the budget session of Parliament, and he wanted to move with finesse. Just before his ministry's grants would come up for discussions, he would announce the appointment of a committee to review the working of STC, with me as its chairman; with of course a hint thrown to the press that I was likely to take over the corporation later. He would thus gauge parliament's reaction during the debates, both to the committee and the rumour of my appointment.

One morning I found a telex message on my desk—"The following message was received for the chairman this morning from T.T. Krishnamachari—'Prakash please do not commit suicide. T.T.K.' " The message amused me, it pleased me, but coming from T.T.K. it intrigued me as well. As Nehru's finance minister, he had founded the STC; in fact he had been the architect of the public sector, the instrument of Nehru's socialist dreams. He was once agent of Levers for South India. That he should take so much notice of a three line announcement in the press and telephone our Madras office from his home in the country, not with his characteristic half-congratulatory half-deprecating message but with something so sharp, disturbed me. I sent a message back thanking him and making some crack about the slow death of the private sector that he had already ordained. But one day this message was to pull me back from the furtherest edge of desperation.

The STC Review Committee's terms of reference were wide enough to give me the unusal experience of first suggesting all the change I could think of, then an assurance of it being accepted, to implement it myself and finally be responsible for results. K.B. Lall would certainly make it possible to do whatever I thought worthwhile. On my own farewell visit to London in May, I decided to combine it with visits to STC offices in Tehran, Beirut and Rotterdam; and if my one visit to the head office could have served as a gentle warning, these foreign offices were enough to bother the stoutest heart, so ill-organised and purposeless were they.

> **'Leaving Hindustan Lever ahead of my time to join the public sector, and Chandy's earlier example, set a kind of pattern that my successor, Vasant Rajadhyaksha, the chief economist Nath, the director of research, Varadarajan, soon afterwards followed, beside many others.**

The Unilever farewell was a gracious affair to which they had invited some whose acquaintance I had cherished over the years, and many with whom I had worked in India, and others I knew on the Dutch side at Rotterdam. Lord Cole, chairman, gently stilled a past controversy and said—Prakash was a patriot to whom India's interests came first but with whom the Unilever interests were always safe.

Back in Bombay I said farewell to the company, in which there remained very few who were there when I joined it 31 years ago. Next evening I took the Frontier Mail to Delhi, a train journey that I used to do so often in the past. I thought it would be relaxing to take the 24 hours trip in air-conditioned luxury. As it turned out, we ran into floods and the journey took three days and three nights.

I fell back in the enforced but relaxed idleness to think about Hindustan Lever, a foreign firm, a multinational as they call them now. The picture as it pieced together was of light and shadows which mingled into an experience that had been worth having. To be the first and to be sensitive had made it the more difficult, especially in a period of political transition, when to work for your own was considered better than to work for the rulers. Fortunately, I did not see it that way, because all our own that I had approached for a job 30 years ago had not been interested in other than their own kith, kin and caste.

Levers had in a way been a continuation of the process of my maturation in England. Matured in the Merseyside business and social culture, Levers was its comfortable extension. In a multinational, I was its first experiment in grooming a national head of one of its largest businesses, and I saw the business developing, together with my own development, through distinct stages of our mutual growth—from dependence through independence to interdependence.

From the time in the thirties when it was all a one-way traffic—home mail, home policy, even home advertising material, a "European signature" for all sanctions—we moved to the stage when one felt we ought sometimes to disagree if only to assert ourselves; finally to a well balanced though not always smooth relationship. Moving from one stage to another had its problems and conflicts, but somehow we each managed to get to the next stage, creating new relationships of a different texture in which each unit does what it can do best relies upon the centre for what its w experience has taught it to do be

Leaving Hindustan Lever ahea my time to join the public sector, Chandy's earlier example, set a kin pattern that my successor, Vasant jadhyaksha, the chief economist N the director of research, Varadara soon afterwards followed, beside m others. It proved a good matrix to t and send out men in their own righ professional managers.

Curiously, the multinationals w generally more successful at this t even the professionally managed Ind firms, and more so than the fan firms, whose family men would venture out and whose professio men were not given the confiden Even today, 50 years after the proc began in the West of family-found firms being run by professional ma gers, in India there is scarcely a la firm which is not headed by someo whose name is the name of the firm Tatas, Jains, Sarabhais, Kothar Mafatlals, and several hundred othe And today most multinationals in Ind are headed by Indians.

I wondered how much trust t controlling ministries wou give one in a public enterpris Would they appreciate ind pendent thought and action, diverge from their own? Would I be allowed mould the new organisation the way would want to, and would the enviro ment, if not permissive at least tolerant? Would it permit me to deri the same satisfaction that my last assig ment did, where with all the problen of change I managed to change bu more important, leave a successor b hind who while improving and fillin the gaps would not proceed in despera atavism to demolish all that was le behind, in trying to prove himself?

So often had I seen in public ente prises new brooms sweep out muc good and bring in nothing better. R jadhyaksha was a different type, wi the quality of personal warmth, whic the organisation would need above a after my coldly impersonal drive f efficiency. And while grooming him had left behind Thomas, who had le the company a few years earlier to joi his family business and, predictabl returned. Someone had asked me ho his colleagues would react, and I said badly at first, but the organisatio would gain a likely chairman; and h succeeded Rajadhyaksha. In fact h went further and was appointed to th Unilever board.

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for
the Connoisseur

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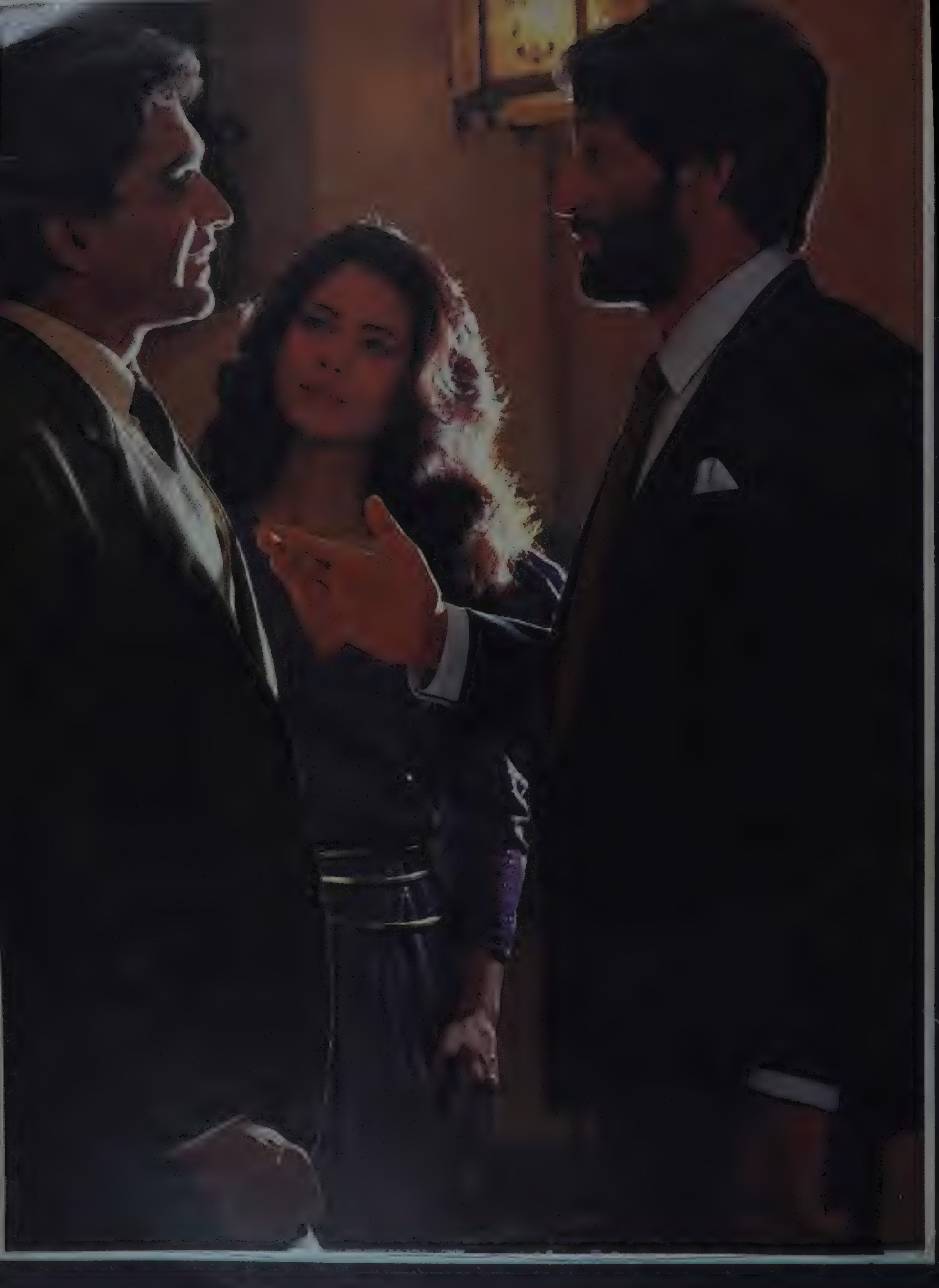

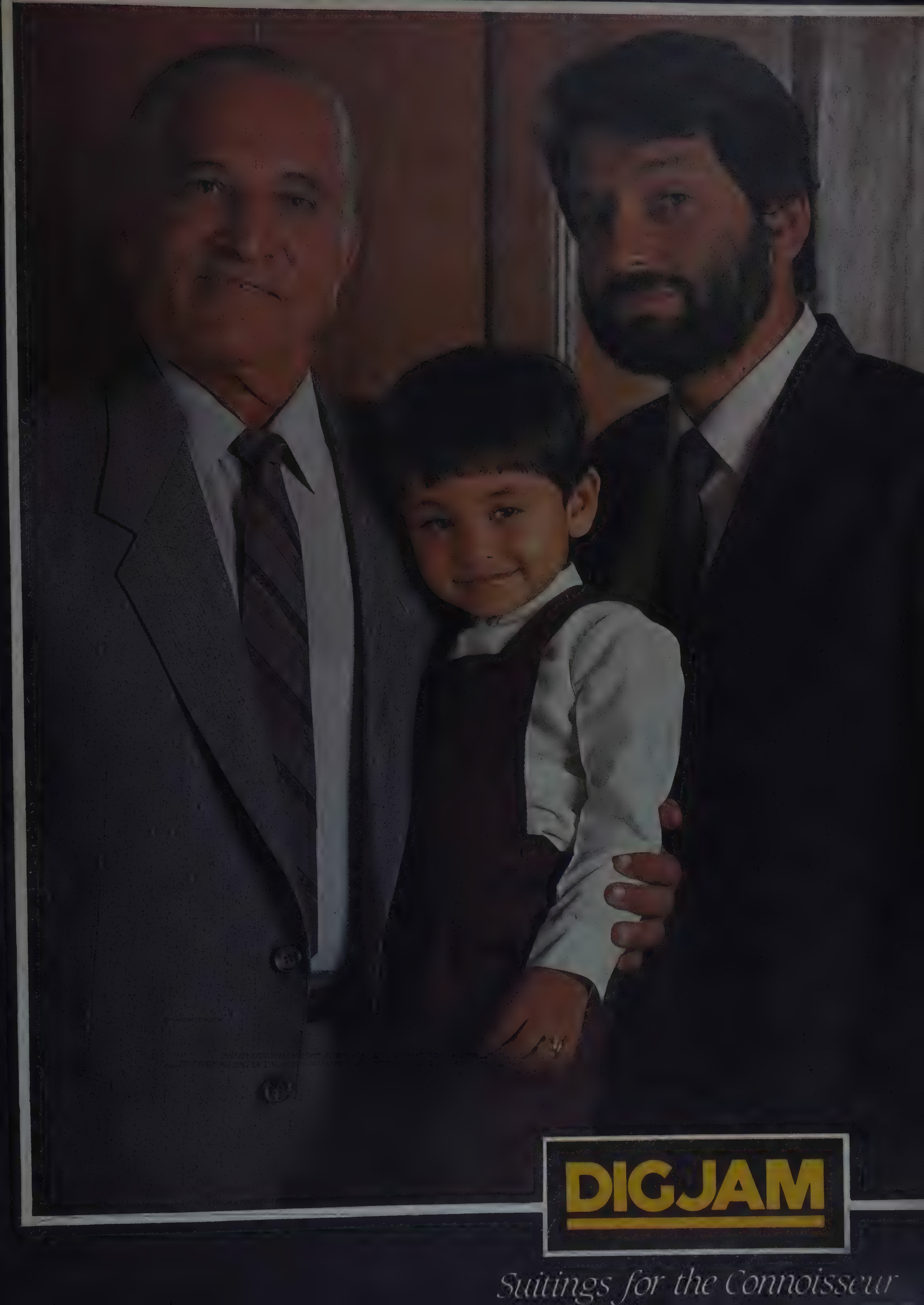
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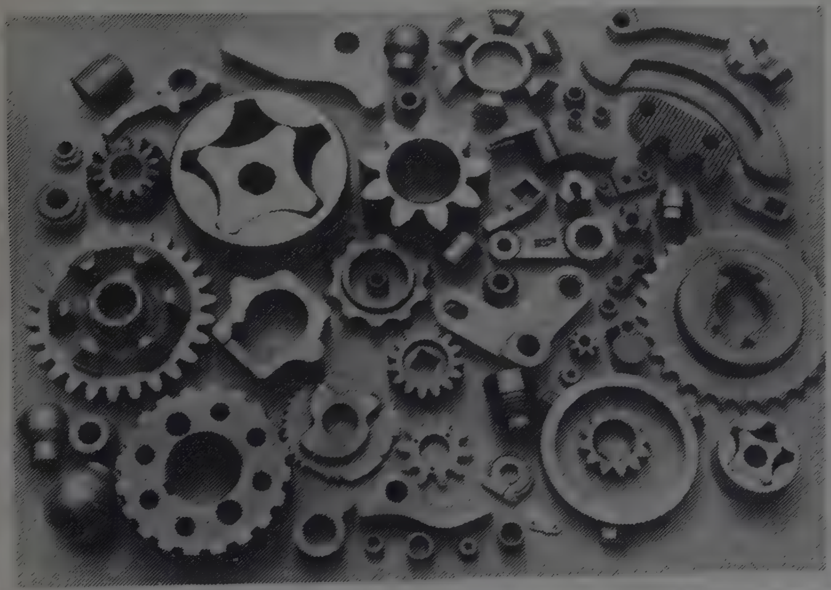
BusinessWorld
September 29—October 12, 1986

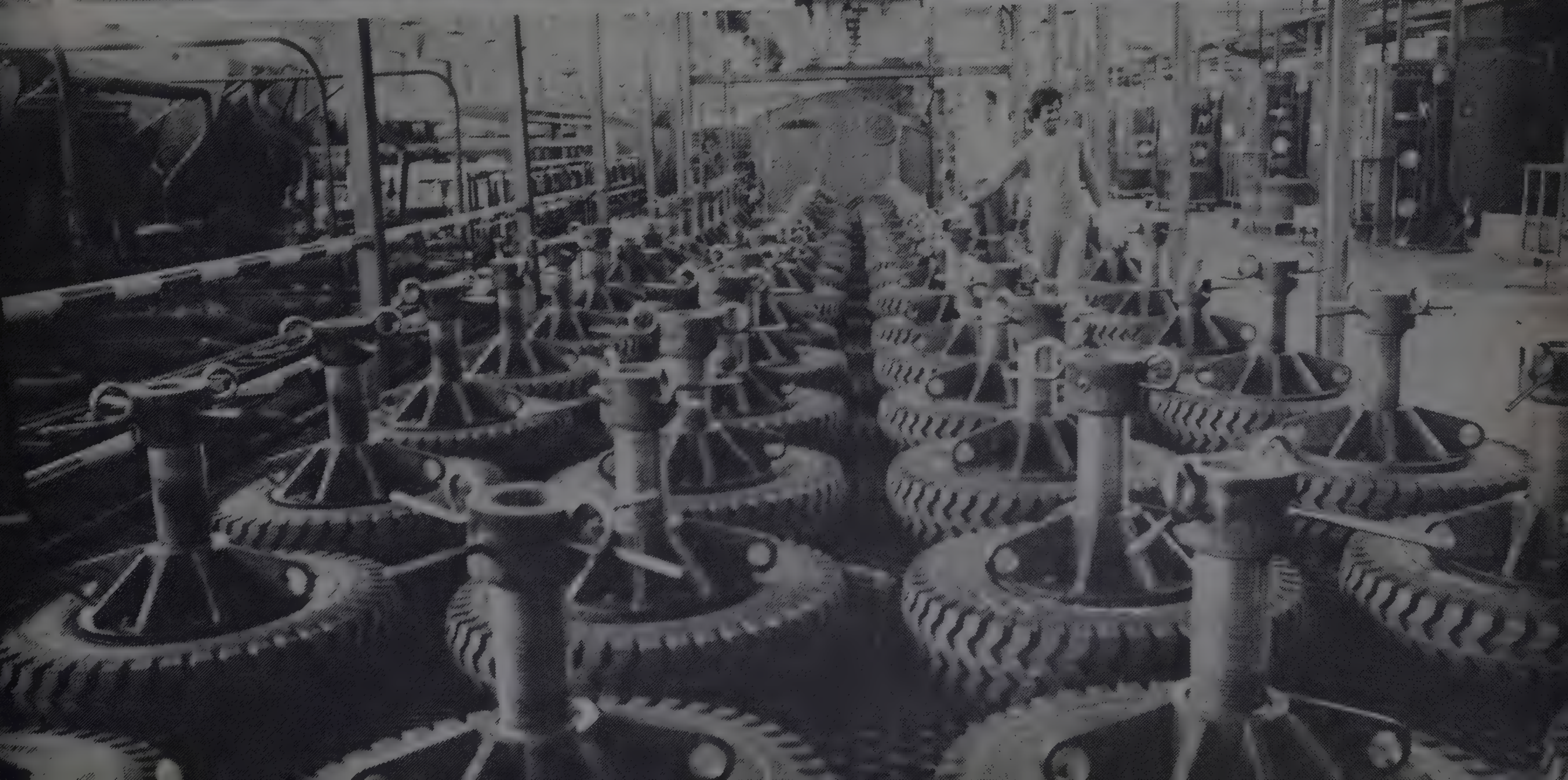
UTOMOTIVE COMPONENTS INDUSTRY

Stuck at the cross-roads

y CHANDU NAIR

The sudden emergence on the Indian oads of a new generation of utomotive vehicles has focussed ational attention on the components nd ancillaries industry. The industry s currently plagued with small capacities, poor quality and high prices.





In no other sector of the Indian economy has liberalisation had such a palpably transforming and revolutionary impact as in the indigenous automotive industry. Proof of this industry's reaction to the liberalisation of the Union government's hitherto rigid industrial capacity licensing and import policies can be had from the launch of several new generation automobiles over the past couple of years. Among them: the Standard-2000; the M&M jeep with a Peugeot 2100 cc diesel engine; the Premier 118 NE with a Fiat 124 body and a Nissan 1200 engine; a host of two-wheelers — the 100 cc Ind-Suzuki, Hero Honda, Yamaha RX100 motorcycles; the Vespa and Kinetic Honda scooters — and in the light commercial vehicle sector the Dyna and the Swraj Mazda among many others. All these new generation automotive vehicles have hit the Indian roads with a bang during the past five years.

The introduction of such an array of options for the much harassed and short-changed Indian customer is surely and steadily turning erstwhile sellers' markets into highly competitive buyers' markets. The upshot of this is by 1990, the percentage of the new breed of vehicles in the national stock is expected to increase to 60%, thus outnumbering older technology vehicles.

This sudden burst of activity in the automotive industry has also focussed national attention on the indigenous automotive components manufacturing industry, whose fortunes are inextricably intertwined with those of the automobile industry. A finished motorcar, for example, contains about 3,000 components and on an average, about 30%-35% of an automobile's value is contributed by the automobile ancillaries industry manufacturing a range of automotive components such as engine parts, electrical, transmission and steering, suspension and braking components, garage equipment and other parts. Not surprisingly, given the growth of the automotive vehicle population of the country from 2.62 million in 1974 to an estimated 8.55 million in 1984, the automobile ancillaries industry has also grown.

The value of output of the industry has risen from Rs. 17.8 crores produced by about 64 companies in 1960 in the medium and large-scale sectors (DGTD units) to an estimated Rs. 850 crores manufactured by over 200 units in 1985. In 1960, the level of investment to manufacture the above output was nearly Rs. 50 crores while in 1985, investment in fixed assets and equipment in the automotive components industry was estimated at a sizeable Rs. 650 crores. In addition, it is estimated that there are about 4,000 units in the small-scale (non-DGTD) sector manufacturing automobile components.

This impressive rate of growth is a direct result of the fact that the automotive — trucks, cars and two-wheelers — manufacturing industry has grown. Comments Pran Talwar (42), until recently president of the Automotive Component Manufacturers' Association (ACMA) and managing director of Talbros Auto Components Ltd. (sales: Rs. 8.5 crores in the year ended 31st March 1986) which manufactures gaskets, rear axles, shafts and other components: "Vehicle manufacturers and the component manufacturers are like Siamese twins; you pinch one of us and the other will cry, you pat one of us and both will smile. Therefore, modernisation of one segment of the automotive industry cannot and will not take place without taking effective steps to modernise the other."

Talwar (left) with Union industry minister N.D. Tiwari: Siamese twins

Nonetheless, the consensus of opinion among monitors of the automotive industry is that the components manufacturing industry is lagging behind the automobile manufacturing industry in its modernisation drive with the result that the value of automotive component imports into India in 1984-85 aggregated to a sizeable Rs. 700 crores.

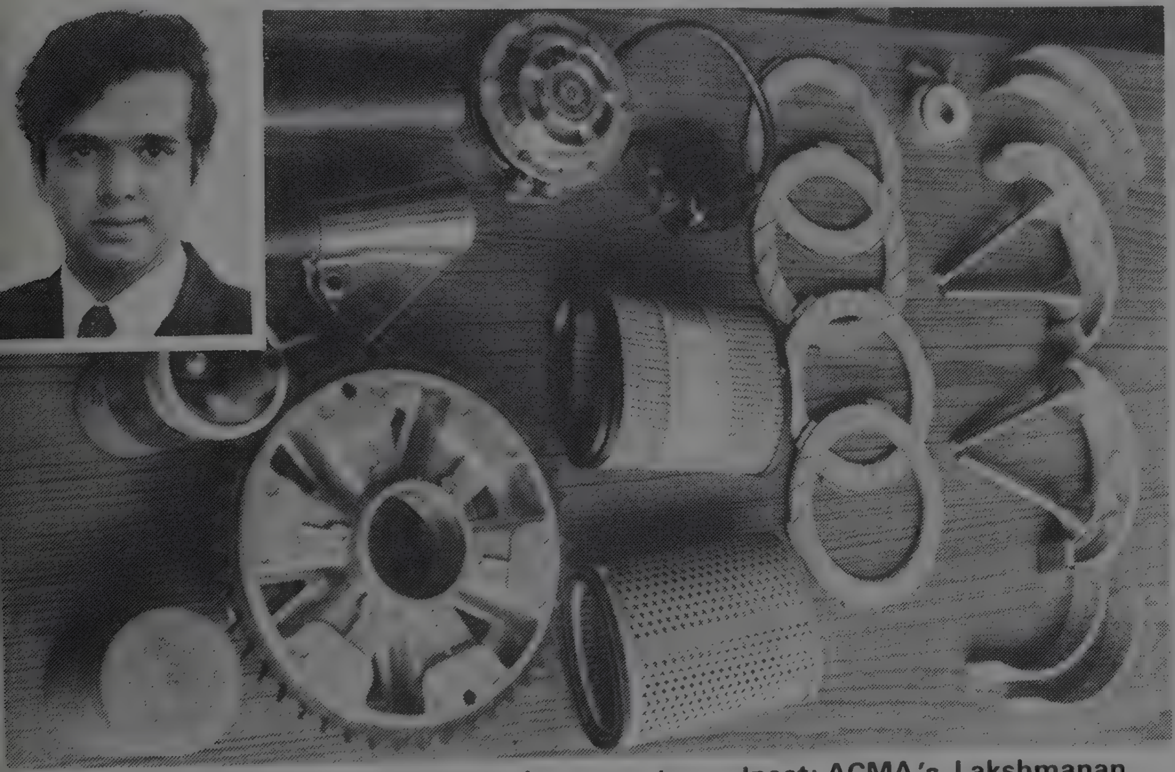
Availability of components of acceptable quality at reasonable prices has always been a problem for the Indian automotive vehicle manufacturer. Even as standards of technology, quality and levels of sophistication in the automotive vehicles industry have shown a ma improvement, especially over the few years, the component industry not really kept pace.

STRINGENT REQUIREMENTS

This state of affairs had led Mic Neri, writing a lead feature in a prev issue of *BusinessWorld* ('Automobile The Shape of Things to Come,' May 26, 1985), to observe: "Admittedl some areas such as brakes, horns, ins ments and electro-mechanical com nents, existing manufacturers prod goods of acceptable quality for all but most demanding buyer. But in such b components as turnings, fittings, cast and other metal, plastic and rub parts, windshields and even batteri the quality of indigenously ma ufactured components is clearly n good enough to meet the stringent r quirements of the new automoti technology."

Not surprisingly, the extreme quality-conscious — indeed fastidious Japanese collaborators of Indian vehic manufacturers, insisted on the import components, even CKD kits, mainly be cause of their poor opinion of the qualit of output of the domestic automotive a cillaries industry. Though it is possible even probable — that the objections the large number of Japanese autom tive vehicle manufacturers — who hav signed equity and technical collaboratio agreements with indigenous automoti vehicles manufacturers on stringe rms — stem from a natural desire to eep the wheels of production moving ack home, it can hardly be gainsaid that e indigenous automotive components dustry has a long way to go. However, omponent manufacturers believe they ave a case to answer.

Citing a survey conducted in 1984 by e Bombay-based ACMA, a representa- ve organisation of the industry — articularly the organised units — in- ustry spokesmen contend that suffi- ient technology either exists or up- raded technology could be accessed to ater to the needs of the new generation f vehicles to the extent of at least one anufacturer per component category.


Indigenous automotive components: long way to go. Inset: ACMA's Lakshmanan

Expounds L. Lakshmanan (40), vice chairman and managing director of Rane (Madras) Ltd. (sales: Rs. 18.5 crores for the year ended 31st March 1986) — a company which manufactures such components as tie rod ends, steering linkages and clutch discs, and who has taken over this year as the president of ACMA: "By and large, the domestic automotive components industry has the capacity, physically and qualitatively, to meet the requirements of the new generation of motor vehicles. In the case of the Maruti, it was something of a problem in the past because of the volumes involved which provided a new experience for the automotive components industry. However since then we have adjusted, though there are constraints to manufacturing components whose volumes do not permit us to use the appropriate technology — windshield glasses for instance."

Yet, this sanguine view of the capabilities of indigenous component manufacturers is disputed by some downstream motor vehicle manufacturers. Comments C.V. Karthik Narayanan (48), vice chairman, managing director and chief executive of the Madras-based Standard Motor Products of India Ltd. (SMP — sales: Rs. 50.40 crores in the year ended 30th June 1985) and a former president of the Association of Indian Automobile Manufacturers: "One cannot generalise and say that sufficient technology exists. However, the capability to assimilate and upgrade technology certainly exists in organised sector automotive component manufacturing enterprises. A few definitely have the capability. At any point of time, however, one can't say that qualitative components are easily available."

Nevertheless it is an endorsement of the capabilities of the indigenous automotive components industry that SMP's upmarket Standard-2000 (see *BW* Cover Feature, August 4-17) has attained a 68% rate of indigenisation of components in the very first year of production as against the level of about 35% or less for the much vaunted Maruti Suzuki. SMP has also set its sights on a 97% indigenisation level in the third year with the help of the indigenous ancillary industry as well as its own in-house efforts.

TECHNOLOGY UPGRADATION

Such reassuring votes of confidence notwithstanding, not a few automotive component manufacturers admit the need for technology upgradation within the component industry. Comments E.K. Parthasarathy (50), managing director of Madras Engineering Industries Pvt. Ltd. (sales: Rs.1.5 crores in the year ended 31st December 1985), until recently a small-scale unit manufacturing automotive components: "We in industry know that we have to improve our technology. Hitherto automobile manufacturers did not require very sophisticated components. However, since they are demanded now, the industry is making an effort to update and develop advanced technology. But one must remember that even in developed countries such as the USA, it takes about two years to tool up for a new model. Further, one also needs to know if the investment required will yield an adequate return. Now that the industry is convinced about the intentions of automobile manufacturers, they are taking steps to improve quality and augment capacity."

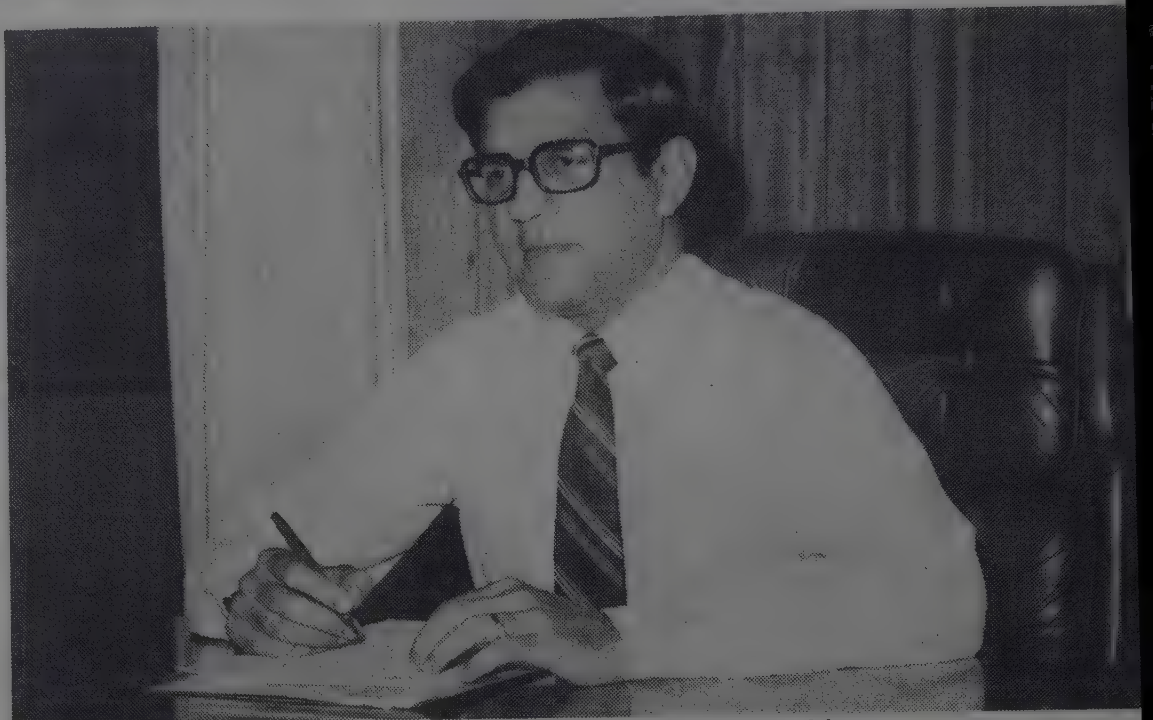
SIZEABLE INVESTMENT

In recognition of this contemporary reality, Madras Engineering Industries has made a "sizeable" investment in fixed assets which will take the company out of the ranks of the small-scale sector. To an extent this is inevitable because if a manufacturer wants to supply die-castings — an item traditionally made by the small-scale industry — he would have to invest Rs. 50 lakhs for just machinery not including tool room costs.

Inevitably, the name of Maruti Udyog Ltd. (MUL) crops up in current component industry parleys, especially when the issue is that of indigenisation.

> **"Now that the industry is convinced about the intentions of the automobile manufacturers, they are taking steps to improve quality and augment capacity"**
>
> E.K. PARTHASARATHY

Which is not really surprising considering that of the total licensed capacity (August 1985) of 1,64,240 in the indigenous passenger car industry, MUL has been licensed a capacity of 1 lakh cars per year. In addition, it also has a licensed capacity to manufacture 5,000 utility vehicles (jeeps) of the total of 36,000 per annum, and 35,000 light commercial vehicles (LCVS) of the industry's annual licensed capacity of 1,37,500. In fact, the dramatic increase in the production of passenger cars from 42,106 in 1981 to 1,02,456 in 1985 is mainly attributable to MUL's entry into the industry in 1983. And the indications are that the public sector company is likely to continue to remain in the forefront of the motorcar industry in the future as well. In its current year ending 31st March 1987, it plans to manufacture 85,000 vehicles and 1,35,000 in 1987-88.



Suresh Krishna: indigenisation process proceeding smoothly

Not that the promotion of the Indo-Japanese public sector company in 1981 was unreservedly welcomed by the automotive components industry. Even after the first cars rolled off the assembly lines in Haryana, there were not a few apprehensions about Japanese motives and the pace of indigenisation by MUL. These concerns have been expressly articulated by component industry spokesmen on various occasions. The basic thrust of these arguments — laid out eloquently in an ACMA publication *Automotive Component Industry — Strategies for Growth* published in 1984 — was that, even as the import of technology from abroad, particularly Japan, was inevitable, the strong umbilical ties so prevalent in Japan between the parent vehicle manufacturer and the component manufacturing subsidiaries and affiliates, would snake into India as well. Therefore, there was a widespread fear that indigenous manufacturers of components would find it difficult to get business from the new breed of Indo-Japanese vehicle manufacturing companies — a situation experienced by automobile ancillary manufacturers in the US. Therefore, "it is equally important to ensure that vested interests are not developed with some vehicle manufacturers procuring components from preferred sources, on bases other than merit," warned the ACMA publication.

Automotive components production targets

Year ended March	Production	Exports
1986	1,000	80
1987	1,200	85
1988	1,450	100
1989	1,750	120
1990	2,200	150

Source: Automotive Components Manufacturers Association

UNFOUNDED APPREHENSIONS

Two years later spokesmen of the components industry are generally agreed that such apprehensions were unfounded, specially where MUL is concerned. In fact, the management of MUL has drawn up strategies to accelerate the pace of indigenisation, in part the result of an increasingly hardening government attitude toward imports of such items as CKD/SKD kits and components.

As a consequence, the MUL management has reportedly accorded indigenisation high priority and will also increase its thrust on in-house manufacture of components. A specially created vendor development division has begun to work closely with existing and prospective component manufacturers to help them develop products in India. MUL is also providing technical, financial and managerial assistance to such vendors. Apart from this, the company's management has reportedly drawn up plans to promote joint ventures with vendors for the manufacture of hi-tech and sophisticated ancillaries requiring large capital outlays.

Comments Suresh Krishna (50), chairman and managing director of Sundaram Fasteners Ltd. (sales: Rs. 34.42 crores in the year ended 31st March 1986), and also currently the vice president of the Association of Indian Engineering Industry: "MUL has
hibited a firm commitment towards in
genisation and is very helpful in this
gard. The apprehensions expressed
couple of years ago are no longer va
In fact, right now the indigenisation p
cess is proceeding fairly smoothly. T
government has eventually realised t
unless indigenisation takes place a
fairly rapid rate, we will be dependent
imports for a long, long time."

Krishna's satisfaction is understan
able. The TVS group of which Sundara
Fasteners Ltd. is just one company,
heavily into the manufacture of au
mobile ancillaries and components. T
group, which chalks up an annual sa
turnover of over Rs. 450 crores and is t
16th largest industrial house in t
country, has a number of compan
manufacturing and marketing a host
ancillaries and components, and is
market leader in this industry w
market shares of 50%-80% in many p
duct lines, such as electrical magne
and wheels.

MOST SUITABLE

According to a report in *T*
Economic Times (2nd August 1982), t
wide product range and compone
manufacturing expertise of the TVS gro
companies impressed a team from t
Suzuki Motor Co., Japan, as far back
in 1982. The team reportedly told t
MUL top brass that the TVS group would
most suitable for setting up ancillary u
its for MUL and even went to the extent
suggesting that the group's manageme
be asked to set up a new factory in t
north, preferably in the vicinity of t
MUL works in Gurgaon, Haryana.

The feeling that the 'Jap bogey'
longer haunts indigenous automoti
components manufacturers is al

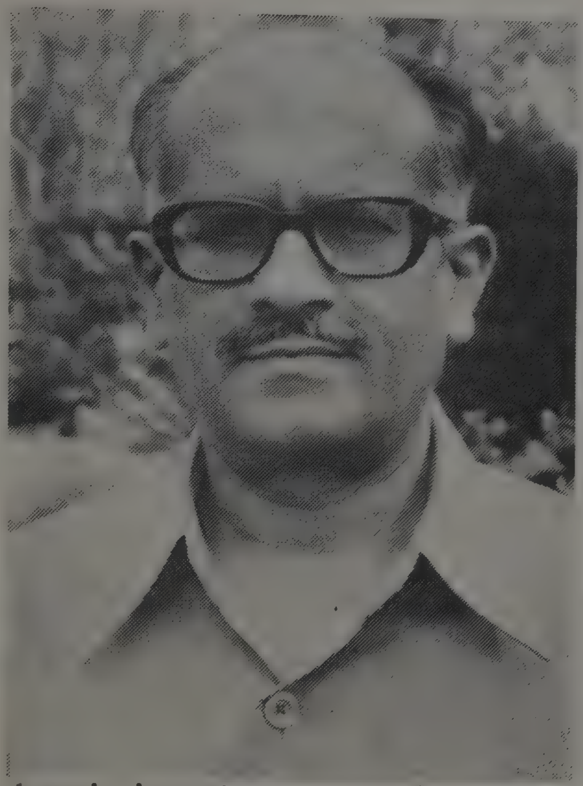
shared by L. Lakshmanan (quoted earlier). "Indigenisation of vehicles, specially the Maruti, is one of our chief concerns. It is no longer true that requirements are 'sourced' only to Japanese components manufacturers or their collaborators. MUL has been extremely open minded about accepting or evaluating indigenous components. In the case of LCVS, we will have to wait and see as they have not yet started indigenising actively," says Lakshmanan.

While the components industry is understandably happy about such developments, the upgradation and modernisation of existing manufacturing facilities and the induction of new technology require heavy financial outlays. The Union government has responded appropriately — the auto component industry was one of the 25 industries delicensed in March 1985 — and component industry spokesmen admit that applications for foreign technical collaborations are given favourable considerations and cleared relatively quickly.

The Seventh Plan envisages an investment of Rs. 1,000 crores in this sector to achieve production valued at Rs. 2,200 crores by 1990. The current capital invested in this industry is about Rs. 650 crores. However, until very recently, automobile component industry manufacturers were somewhat hesitant about stepping up capital investment because of the paucity of downstream demand. But the entry of MUL into the motorcar manufacturing industry has changed perceptions within the industry.

GROWING MARKET

Comments J. Joseph (55), the Madras-based executive director of Ashok Leyland Ltd. (sales: Rs. 334.39 crores in the year ended 31st December 1985) which has about 350 ancillary suppliers and for whom bought-out components constitute almost 50% of the vehicle value: "There is no need for an expert opinion on the subject. Investment in the ancillaries industry is dependent on an acceptable rate of return and a growing market. Therefore, whenever downstream vehicle production has stabilised and grown, indigenisation has taken place. Thus far however, the component industry has been niggardly in its investment, even to those manufacturers who have licences for manufacture. At the aggregate level there is a gap between promise and performance."


Joseph: downstream connection

On the question of fresh investment, ancillary and component manufacturers tend to be wary. Some believe that the absolute magnitude of investment required in the Seventh Plan plus the substantial upgradation in technology and skills, is beyond the financial capability of the ancillary sector, dominated as it is by small-scale units. The lack of financial surpluses with vehicle manufacturers to finance-related investments doesn't help either. All these factors point to the possibility of the indigenisation programme — a 95% indigenisation level in five years' time — being delayed well beyond the targeted period. Then there is also the disquieting possibility that vehicle manufacturers may dilute quality standards given the unavailability of high quality components. A hike in vehicle prices could also result as component costs rise to finance new investment in the automotive ancillaries sector.

Certainly, the sudden influx of a new generation of vehicles with different requirements into the marketplace and the sudden increase in volume caught the automotive components industry flat footed. Admits Talwar (quoted earlier), "Although many of us have the requisite knowhow or have acquired it to produce components as per the standards desired, we have been overrun by numbers. Some of us are just not equipped for Maruti volumes. Given existing tool room capacities in the country, an 18-24 month development period for component manufacturers is not too long. I am sure that by this time next year MUL will have realised its indigenisation objectives to a fairly substantial extent."

It is hardly surprising that component manufacturers (despite the Indian economy allegedly being centrally planned) have not been able to cope with demand. Suddenly it is confronted with four different manufacturers of heavy commercial vehicles; seven of LCVS, five of passenger cars, two of jeeps, three of three-wheelers, six of motorcycles, eight of scooters, nine of mopeds and eight of tractors — all of which are in production. The production of downstream industries too has increased dramatically — in the case of passenger cars from 30,538 in 1980 to 1,02,456 in 1985; from 20,415 to 34,912 for LCVS; from 4,17,602 to 11,15,758 in the case of automotive two-wheelers. The production of heavy and medium vehicles has also increased from 47,896 to 66,867; jeeps from 15,068 to 26,787; tractors from 67,105 to 76,986 and three-wheelers from 26,519 to 48,944 during the same period.

INDIGENISATION PERCENTAGE

The industry's past performance record however inspires some confidence that given time, the task of indigenisation of the automotive industry is not beyond it. According to industry spokesmen by early 1960 within three to four years of the introduction of

Automobile production targets *(in 000s)*

	1986	1987	1988	1989	1990
Heavy and medium commercial vehicles	82	91	100	110	120
Light commercial vehicles	37	43	52	62	75
Jeeps	31	34	38	41	45
Cars	91	104	119	135	155
Tractors	93	102	112	123	135
Motorcyles	223	262	308	362	424
Scooters	398	457	524	600	687
Mopeds	450	506	570	641	723

Source: Automotive Components Manufacturers Association passenger cars, jeeps and buses in a sizeable way, an indigenisation percentage of 75% in the case of the Hindustan Motors' Ambassador, 65% for the Willy's jeep, 71% in the TELCO truck and 64% in the Perkins PG diesel engine was achieved. Which is noteworthy, contend industry pundits, because the volumes involved were small — the value of the aggregate production of the auto ancillary industry was less than Rs. 20 crores.

A similar gearing up effort has been mounted in the recent past as well. In the last two years (1984-85) alone, over 50 technical collaboration agreements have been signed with Japanese, American and European automotive component manufacturers. As a result foreign technical collaborations in the components manufacturing industry alone number an estimated 240 currently. In addition Rs. 175 crores has been invested by existing manufacturers towards modernisation, physical capacity expansion and product diversification.

For example, the Bombay-based Gabriel India Ltd. (sales: Rs. 22.13 crores in the year ended 31st May 1985) is increasing its annual capacity for manufacturing shock absorbers from 1.9 million units to 3.5 million units. The company has recently signed a technical collaboration agreement with the Maremont Corporation, USA, to avail of the latest technology and has also entered into an agreement with Tokico Ltd., Japan, for technical assistance to manufacture shock absorbers for the new generation of automotive four-wheelers being manufactured with Japanese technology.

Likewise the Bombay-based Bharat Gears Ltd. (sales: Rs. 17.9 crores in the year ended 31st July 1985), is implementing a project for manufacturing syncromesh gear boxes for LCVS in technical and financial collaboration with Zahnradfabrik Friedrichshafen AG (ZF), West Germany. If all goes according to plan, lightweight gears suitable for LCVS will be available for the first time in India by 1988.

EXCLUSIVE TIE-UPS

Similarly, the Bangalore-based International Instruments Ltd. (sales: Rs. 11.12 crores in the year ended 31st March 1986), has entered into exclusive tie-ups with three Japanese companies: Nippon Denso Co. Ltd., Nippon Seiko Co. Ltd., and KGD Co. Ltd. (of the Honda group) for the manufacture of two and four-wheeler instruments and automotive switches. The Bangalore-based Motor Industries Co. Ltd. (MICO — sales: Rs. 143.09 crores in the year ended 31st December 1985) which straddles the fuel injection equipment industry like a veritable colossus, has finalised plans to increase capacity for fuel injection equipment and spark plugs and is all set to diversify its operations into auto electricals (starter motors, generators) with technical knowhow provided by its world-beating major shareholder Robert Bosch GmbH. The Madras-based Sundaram Abex Ltd. (sales: Rs. 6.71 crores in the year ended 31st July 1985) has drawn up a modernisation programme at its existing Padi (Madras) plant and is also creat facilities for the manufacture of asbes free brake linings.

Automotive components industry profile *(1984-85)*

Part	Number of units	Value (Rs. crores)
Wheels	2	52.84
Pistons	6	48.46
Gears including crown wheels	13	47.64
Fuel pumps (petrol, diesel m/cyl,s/cyl)	5	44.77
Leaf springs	8	41.80 (est.)
Brake assembly	2	38.14
Sheet metal parts	10	29.98
Starter motors	4	25.58
Shock absorbers	5	25.15
Bearings (thin/ thick wall)	4	25.07
Radiators	7	24.87
Brake linings	5	23.39
Fuel pump nozzles	4	20.42
Air brakes	2	20.30
Generators	4	16.58
Fuel pump nozzle holder	3	15.69
Clutch plates/ discs	8	15.27
Axle shafts	10	15.08
Engine valves	6	14.59
Fuel pump elements	4	14.23
All other parts		136.03
Total		837.05

Note: Data pertains to independent DGTD units and does not include production of captive/in-house and small-scale sector units.

Source: ACMA

The upshot of all this is that there is distinct possibility that the long-harass Indian consumer can look forward possessing an automotive vehicle whi will be intrinsically and technologica sounder, at the same time substantia indigenous, than that which he has be lumbered with hitherto. The more o timistic among them can perhaps lo forward to bidding *adieu* to rattli doors, notional shock absorbers, lum seats, hazy windshield screens, loo handles, squeaky wheels and totally sh ken selves.

Vehicle manufacturers are also doi their bit by promoting ancillary ma ufacturing units. The Hero group, ma ufacturers of Hero Majestic mopeds an Hero Honda motorcycles has promote a joint venture company, Munjal Show Ltd., in collaboration with the Show Manufacturing Co., Japan (in which th Honda Motor Co., Japan, has a 37 stake), a Rs.12.5 crores project at Gu gaon, Haryana to manufacture shock ab sorbers. The Haryana-based Oma Autos Ltd., manufacturers of two wheeler components such as tubes an sprockets and Rico Industries Ltd. which intends collaborating wit Yanagaya, Japan, a Honda group ancil lary, to manufacture front hub wheel as sembly and rear brake panels, will cate to the requirements of Hero Honda Ltd Likewise, the Madras-based Sundaram Clayton Ltd. (sales: Rs. 90.60 crores in the year ended 31st May 1985) which has promoted Ind-Suzuki Ltd. (since renamed TVS-Suzuki Ltd.) is also reportedly assisting its main ancillary manufacturers financially.

Several other big business houses have also diversified into the automotive components industry. Shriram Fibres Ltd., a Shriram group company, has entered into a joint venture with Nippon Denso Ltd., Japan, to promote SRF Nippon Denso Ltd., a Rs. 15 crore project to manufacture auto electricals such as starter motors, alternators. Likewise the Modi group recently announced plans to set up a large unit for the manufacture of spark plugs and fuel injection equipment in collaboration with Champion Inc., USA. This is expected to be one of its three major investments totalling Rs. 200 crores.

STUMBLING BLOCK

A lot more can still be done and inevitably the major stumbling block is the attitude and policies of the all-powerful Union government. "There are serious constraints on indigenisation which have been brought to the government's notice over the past three years. The general impression is that the government does not assign much importance to the automotive industry in particular and the road transport industry as a whole. The question is of investment and the return on investment and the way fiscal legislation is structured today, Seventh Plan targets will be difficult to fulfil," says Talwar. According to Talwar, the factors discouraging investment in the components industry are import duties on capital goods and other equipment; customs duties on raw material and high excise duties on finished components.

The modernisation and expansion of the automotive components industry requires the import of capital goods which are subject to chastening import duties — 55%-100% *ad valorem* — and which increases the cost of investment (a crucial factor in component pricing), underutilisation of the Technical Development Fund (set up by government to aid modernisation and upgradation efforts) and retards the development of tool room capacities considered inadequate presently.

Likewise, the customs duty on raw materials is also needlessly high. According to an ACMA study, of the 87 raw materials used by component manufacturers, 16 attract *ad valorem* imposts of 60%-100%; 60 between 100%-150%, and the remaining 11 over 160% and up to 340%. Again, certain non-traditional raw materials required for the newer generation of vehicles, are not locally available. Even the prices of domestically available raw materials are much higher compared to international prices (a grouse common across industries). Comments an irritated Suresh Krishna "The whole tariff structure is cock-eyed. Today, the structure is such that the duty on the finished product is the lowest, followed by the duty on the component while the duty on the raw material is the highest. This is one of the major problems facing the components manufacturing industry today. We are effectively aiding value addition outside the country. Unfortunately, though the government is aware of this as also the industry, the will to resolve these anomalies seems to be lacking."

ILL EFFECTS

And far from getting sympathy from New Delhi, the industry received a jolt earlier this year when the budget for 1986-87 was presented to Parliament. Despite constant representations to the government on the ill effects of high excise imposts, the excise duty on a large number of components was hiked (also on all types of vehicles), from 12% to 20% and the total exemption for excise-

Other face of a boom

One subject which generally gets automotive component manufacturers in the organised sector all worked up is that of spurious auto parts. Reactions range from the mildly disapproving to the positively enraged. Which is quite understandable.

According to a study commissioned by the Automotive Component Manufacturers Association (ACMA) in 1984, of the total components or spare parts sold in the replacement market valued at Rs. 1,350 crores per annum, sales of spurious or counterfeit components account for as much as Rs. 350 crores per annum and sub-standard parts for an additional Rs. 200 crores per annum.

To ensure that there is no confusion as to what exactly are spurious components, ACMA has even proferred a definition, according to which: "Components of questionable quality made in the unorganised sector mostly marked under established brand names and packaged like the original" are 'spurious.' These are to be differentiated from sub-standard parts which are "components of not established quality made by small medium size units and marketed under own distinctive brand names, but not questionable as spurious." 'Genuine' components are "(of) established quality accepted as original equipment, manufactured in the organised sector and marketed under established brand names," says ACMA helpfully.

Nevertheless, the sheer size of the spurious components industry has serious implications not only for government and industry but also for the citizen in general. ACMA provides some disturbing estimates. As many as 10% of all automobile accidents are due to mechanical defects largely caused by the use of counterfeit parts, resulting in an estimated 2,000 deaths and 10,000 human injuries per annum. Further, most of such trade is generally in the parallel economy. This results in a loss of about Rs. 250 crores per annum to the exchequer through the evasion of excise duty, sales and income taxes.

For users too, such spares or components increase operational costs and the consequent losses are estimated at Rs. 200 crores per annum. In addition, the almost ubiquitous presence of such parts has also served in a major way to damage the reputations of established components manufacturers resulting not only in the Indian consumer becoming increasingly sceptical but also in export efforts being retarded. The existence of the spurious components industry says ACMA, puts a damper on the healthy growth of organised sector units through the erosion of their profitability.

And yet it is profitability that is one of the major reasons that attracts the attention of the sub-standard parts trade. While for general spare parts (as defined by ACMA) trade margins range from a measly 3% (on dealer's purchase price) to a maximum of 15%, in the case of sub-standard parts, it ranges from 25%-50% while for spurious parts, they start at about 75% and often go up to 200% plus.

Given these kinds of hefty margins, it is no wonder that all spare parts traders are keen to encourage the manufacture of spurious and sub-standard components — conscience and users be damned. Owing to the questionable legal nature of the business, they take precautions to minimise the risks of being caught out which anyway, given the shambles of the Indian legal system and pervasive official corruption, is a remote possibility.

Booming sales. Thus, the trade has a very close relationship with spurious parts manufacturers. The well-organised larger distributors employ go-getting salesman to reach over 20,000 retailers spread all over the country. These salesmen are also paid generous sums — reportedly over Rs. 1,500 per month plus a 2%-3% commission on sales. With these kinds of financial inducements, it is hardly a matter of surprise that sales of spurious components are booming.

However, this flourishing trade in spurious components cannot survive but for the support it receives from the most important link in the chain — the customer. Many a customer buys a part, paying less for it, knowing fully well that it is not top-drawer quality, only to save some money. True, sometimes the customer is 'conned' into believing that he is buying a product of top-quality when a spurious part is palmed off. But the average customer's abysmal ignorance of all things technical also leads him to place a great deal of trust in intermediaries — the trader or the garage mechanic who is usually hand-in-glove with spurious components manufacturers.

Iron lady Thatcher: characteristic resolve to stick to her guns

who have experienced the bother of spending long hours inching along in a queue before an immigration desk, can now expect to sail through the ranks of the less than welcoming British immigration officials. Promptly—and predictably—the London-based immigration officer's union (IOU) which had earlier threatened industrial action because of "increase in work" and "non-availability of proper facilities at entry ports," welcomed the announcement.

Yet this seemingly considerate step of the Thatcher government to help obviate the "inconvenience of long delays" faced by "bona fide passengers"—this phrase is repeated several times in the home office announcement and its accompanying press note—from the Indian sub-continent and two West African nations elicited immediate and sharp reactions, and not just from the governments of the five affected countries either. Perhaps it was a mere coincidence that the decision was taken at a time when the Harare summit of non-aligned country heads was in session. But the upshot was that the non-aligned bloc promptly denounced the British move as unambiguously racist, using language which is far harsher than normally employed in diplomatic communiques.

A formal statement issued—reportedly at the initiative of prime minister Rajiv Gandhi—by an official spokesman at the conference centre in Harare levelled the charge of racism in clear language: "It is appalling that while restrictions are being placed on Indians and citizens of four other Asian and African countries, South Africans are freely allowed to visit UK at a time when the international community as a whole is engaged in dismantling the racist structure."

And it certainly did not help to clear the muddy waters, either, when the British junior minister for home affairs, David Waddington, was reported to have remarked over Channel Four of British television that Britain will have to make a distinction between the old Commonwealth (in other words, the white Commonwealth) and the non-white member nations of the New Commonwealth. Not that there was total unanimity and complete accord on the issue in the Thatcher cabinet. A United News of India (UNI) despatch from London datelined 2nd September reports that foreign secretary Sir Geoffrey Howe "was understood to have opposed the proposal." Nevertheless as Reuter reports, Thatcher "decided to impose the visa rules after considering all the options" at a meeting of cabinet held at 10 Downing Street.

Racism charges. Not entirely surprisingly, given Britain's long established—but dying—liberal tradition, charges of racism were hurled at Thatcher by her own fellow-citizens even before the non-aligned leaders reacted. Labour shadow foreign secretary Gerald Kaufman condemned the decision as "outright racist." The Labour party will oppose the
new visa proposal when it comes
parliamentary consideration at t
of October, he declared. In the
vein Alan Beith, foreign affairs s
man for the Liberal Party, said th
impose visa requirements on citiz
friendly Commonwealth countries
not be interpreted as anything
than racial prejudice" particularly
"no requirements were impose
citizens of countries hostile to Bri
on Mr. Botha's supporters in
Africa."

Predictably, the British prime
ter—whose present second ter
office, incidentally, has only one
year to run—is unmoved. Neither
words at home nor criticism a
have served to soften her charact
resolve to stick to her guns for
she is justly famous. And it cer
cannot be argued that the five cou
handpicked for discriminatory
ment have no reason to take umb

In 1985, as many as 452,000 vi
came to Britain from these coun
Of these only 222—a negli
0.05%—were classified as illegal im
rants. As far as insufficient or imp
documentation was considered,
about 2,000 out of 254,000 In
citizens (or 0.8%) were denied
last year. These statistics indicate
sudden stringent immigration co
measures were unwarranted.

On the other hand, of the 254
Indian visitors to the island in 198
many as 122,000 were tourists
spent an average of £400 per
during an average 11 day stay and
brought into Britain the not incons
able sum of £49 million during the
Not surprisingly there is already s
nervousness in the indigenous t
trade and in particular in the air
which have created substantial ca
ties in the Bombay-London and
Delhi-London sectors, that business
be hit.

Visa requirements. It is true that in
aftermath of Operation Bluestar in
1984, India had imposed visa requ
ments on British nationals. But even
transit passengers from Britain we
and still are—allowed landing rights
48 hours without a visa. Besides
eight-day transit visa for visitors is
given freely. These courtesies will
be allowed to Indians visiting the
ited Kingdom under the new reg
tions.

The Rajiv Gandhi administration
followed up its Harare statement
pointedly expressing displeasure at
diplomatic level. The Union mini
for human resources development
Narasimha Rao has put off a visi

ndon to deliver a lecture at the tation of the British council. Air ef Marshal De La Fontaine, who is ng to the Farnborough Air Show, not combine this trip with an official t: A proposed official visit by army ef General K. Sundarji has also ortedly been postponed. It seems the fallout of the visa row will her erode the so-called special Indo-glian relationship based on historical s and mutal interests.

Though the Union government's ry action to the introduction of the regulations has been widely reciated in this country as being ropriate, there is a certain irony in indignation. The incontrovertible h is that too large a number of the zens of the nations that comprise the ian sub-continent are inclined—uld a chance present itself—to shake dust of their own country off their es and emigrate even to patently ospitable and climatically and cultur- unsuitable shores because of the ss that successive governments have de of their rigidly controlled econos.

The consequence of the mismanagent of the economies of most third rld countries (including those of In-, Bangladesh, Pakistan, Nigeria and ana—whose citizens have been sing- out for discriminatory treatment) is h unemployment, lack of opportuni- and a denial of the basic comforts of ilised existence. The irony of the rm of protest that New Delhi is hestrating is that it has invited such temptuous discrimination of the ple it represents by creating a large nber of economic refugees who are y too keen to flee the chaos that its icies has created.

oy Gupta in Calcutta

NITED STATES

low to lose $10 bn

Nelson Bunker Hunt, the 60 year old oil tycoon and leader of Texas' endary Hunt family used to say that eople who know how much they are rth generally are not worth much." It a saying that has come to haunt him d his brothers as they struggle to event the family's bankers seizing the nains of what was until recently one the world's great fortunes.

Not so long ago, Bunker Hunt's nkers did not bother to ask how much Hunt family was worth. No bank had ever lost any money dealing with the Hunts and none ever would, was the ritual Hunt reply on the rare occasion a banker dared ask the question. Nowadays, their bankers are unhappily aware that no one, perhaps not even the brothers themselves, could possibly provide such an answer.

Just seven years ago, Bunker Hunt's branch of the family was sitting on a fortune of well over $10 billion (Rs. 12,000 crores) which put them on a par with the wealthiest Saudi Arabian princes. By last year this had shrunk to around $2.5 billion and given the sharp drop in oil prices over the last year (the family's fortune was built on oil), it is considerably less today. This is far from comforting news for the galaxy of international banks, ranging from Citibank and Bank of America to National Westminster and the Bank of Scotland, whose efforts to recoup the $1.5 billion they are owed by the Hunts moved into top gear in the last week of August.

Grand scale. Like everything else about the Hunts, their latest battle with the banking and legal establishment is being played out on a grand scale with no holds barred. The dramatic behind-the-scenes legal manouevring of the past few weeks would make even J.R. Ewing, the star of the Dallas television series, think twice about tangling with them. When it comes to gambling with the family fortune, the Hunts play for very high stakes.

The first signs that the family's serious financial problems were coming to a head became apparent earlier this summer when the Hunts launched a $3.6 billion suit against their bankers, accusing them of trying to "dismantle and destroy" the family's business empire. But this pre-emptive strike failed to slow the banks' efforts to foreclose on the Hunts' properties, and Placid Oil, which has assets of over $2 billion (Rs. 2,400 crores) and is the jewel in the Hunt crown, last week filed for protection under Chapter XI of the US bankruptcy code. It was one of the biggest bankruptcies in recent memory. The family-owned Penrod, one of the world's biggest offshore drilling con-

The key dates

November 1974: H.L. Hunt dies aged 85. Sons buy Great Western United, the biggest US sugar refinery.

Spring 1977: Hunts reprimanded by regulators after buying close to one-third of US soyabean supply.

October 1977: Great Western bids for Sunshine Mining, a leading US silver producer.

December 1979: Hunt family and Arab partners amass close to 200 million ounces of silver, worth an estimated $6.6 billion (Rs. 7,920 crores).

January 1980: Silver prices hit a peak of just over $50 an ounce, compared with $6 less than a year before.

March 1980: Silver prices plummet.

April 1980: Hunts say they lost up to $1 billion on silver speculation but combined net worth remains between $5 billion and $6 billion.

May 1980: Major banks agree to lend Placid $1.1 billion.

March 1985: Hunt International Resources, parent of the sugar refining business, files for bankruptcy.

October 1985: Hunts dispose of the last of their silver, pushing estimated losses on their silver adventure to over $1 billion.

March 1986: Placid defaults on loan.

April 1986: Banks reject proposed restructuring plan.

May 1986: Penrod misses interest payment.

June 1986: Banks reject second restructuring plan. Hunts sue banks for $3.6 billion.

August 1986: Placid Oil files for Chapter XI bankruptcy.

tractors, is also facing serious financial problems.

For most of the week, Bunker Hunt and his two younger brothers—Herbert and Lamar—have been locked in emergency meetings with an army of advisers at Placid's Thanksgiving Tower headquarters in Dallas in a desperate bid to put more distance between themselves and the banks which are trying to foreclose on most of their assets after they defaulted on over $1 billion of loans earlier this year.

Their efforts to delay the bankruptcy proceedings by switching the venue to New Orleans suffered a serious blow on 4th September when Judge Barefoot ordered the brothers to transfer the case back to Placid's home town of Dallas. The Hunts' bankers believe that by getting the case heard in Dallas, a bankruptcy reorganisation can be executed more speedily. The Hunts, however, believe that the longer they can delay the banks from foreclosing on their sprawling empire the more chance there is that something will turn up to save the family fortune.

The Hunts are hardly the first of the Texas oil tycoons to have been hit by the oil industry slump. The Murchison family, old enemies of the Hunts, filed for bankruptcy last year. John Connally, a former governor of Texas and treasury secretary in the Nixon administration and an old friend of the Hunt brothers, has suffered serious financial problems with his own oil investments. However, the Hunts' financial problems are on a scale of their own, even by Texas standards. Harry Hurt III, a biographer of the Hunt family, describes the decline in the family fortune as "the most monumental financial reversal in modern American business history."

"It is also the collapse of Texas' greatest and most mythic family. The fact that the Hunts have declared bankruptcy is to Texas the equivalent of the Rockefeller family declaring bankruptcy in New York," says Hurt, author of *Texas Rich.*

Dr. Allen Coleman, professor of banking at Dallas' Southern Methodist University, says that he cannot think of
any parallel in modern history "o
great wealth being dissipated on s
grand scale—in such a short
frame."

Blunt assessment. Jerome Tu
another Hunt biographer, is more
in his assessment of Bunker H
stewardship of the family for
"Usually it takes a family about
generations to destroy the old
fortune. In this case it is all happ
in one generation," he says, addin
is going to take a long time befor
final chapter is written, but I think
the beginning of the end for the Hu
Tucille, who published *Kingdom*
Story of the Hunt Family of Texas
years ago, likens the Hunt family t
ageing prize fighter hanging on
ropes." He believes that they are
tined to lose their cat-and-mouse
mishes with their bankers. "The H
do not have any leverage any more
says.

This was not always the case
Bunker Hunt's father, Harolds
Lafayette Hunt, would squirm in

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grave if he could see what has happened to his empire in the 12 years since he died. Robert Anderson, the recently retired chairman of Arco, describes H.L. Hunt as one of "fast movers" who along with men such as Harry Sinclair made their fortunes in the East Texas oil boom of the thirties.

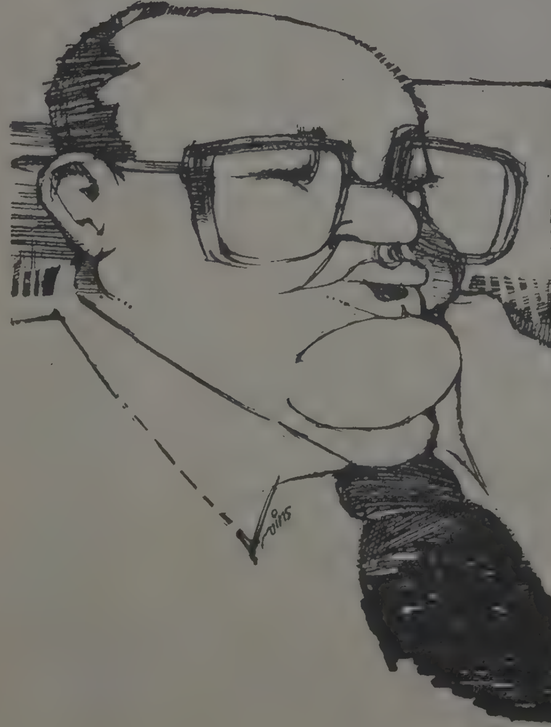
Professional gambler. This is rather a polite interpretation of Hunt's early business career. He first made his mark as a professional gambler, known as Arkansas Slim, and used to boast that he was the world's best poker player. In 1930 he bought his way into the fabulously rich East Texas oilfield although C.M. 'Dad' Joiner, the oilman who first discovered the field always insisted that he had been cheated by H.L.

The East Texas field formed the basis of the Hunts' oil empire and five years after H.L. had done his deal with Joiner, he transferred the best of his properties to the newly created Placid Oil Company which was owned by the trusts of the members of his rapidly growing family. Being a superstitious man he thought he would be lucky if he ensured that the names of his companies began with the letter P and contained six letters.Soon Hunt had set up Penrod, to drill for oil, and was refining his oil through his Parade refineries and transporting it through his Paloma pipelines. By the early fifties his fortune was estimated at $2 billion and J. Paul Getty, another legendary oilman, gave H.L. the ultimate accolade when he told a reporter that "in terms of independent wealth, there is only one man, H.L. Hunt."

H.L. Hunt was a larger-than-life figure. Apart from being the richest man in the world, he was a bigamist who was convinced that he had a "genius gene" which he should pass along to future generations. Like his legendary father, Bunker Hunt is both paranoic and a natural gambler. The big difference is that over the last few years, he has lacked his father's luck. This was not true in his early years, however, when he seemed to be moving from strength to strength.

Harry Hurt describes Bunker as "looking like a beardless Burl Ives and acting like a cross between King Midas and the absent-minded professor." In the sixties Bunker moved into Libya and was initially very successful. Although his interests were later nationalised, the Hunt family's oil businesses prospered in the early seventies.

However, this period marked the high point of the family's fortunes and since then Bunker Hunt and his brothers have proved remarkably accident prone. Their biggest gamble was on the silver market in the seventies, when in partnership with some wealthy Arabs, the brothers tried to corner the market by amassing about half of the world's deliverable silver. Initially, they were very successful and the silver price shot up from $6 an ounce to $50 an ounce in less than a year.



Bunker Hunt: doomsday philosophy

However, in the opening months of 1980, the price began to slide and on 27th March that year, the Hunts were unable to meet their margin calls and had to be bailed out by their bankers, who secured $1.1 billion in loans with the assets of Placid, the most valuable of the Hunt companies. Harry Hurt notes in his book that the list of the securities pledged by the brothers "read like the inventory of an emperor's treasure chest."

Unsuccessful ventures. While silver was the Hunts' most publicised disaster, it was not the only area in which the brothers gambled heavily and lost. Also in the seventies, they tried to corner the US soyabean market and were reprimanded by the authorities for their efforts. Their venture into sugar, via the purchase of Great Western Sugar, the biggest US refinery, was even more unsuccessful. Hunt International Resources, the successor to Great Western, filed for bankruptcy in March 1985.

Bunker Hunt shared his father's distrust of big government and paper currencies. "The old man never believed in paper currencies. He thought America was going to suffer the sort of hyperinflation as Weimar Germany," says Jerome Tucille. The Hunts' ill-fated investment strategy reflects the 'doomsday philosophy' which inspired their apocalyptic view of the world. "The Hunts were betting on disaster back in the seventies and early eighties," says Hurt, adding: "They invested in real estate, oil, collectables and most prominently, in silver. The apocalypse did not come. The oil market has crashed. The silver market has crashed, and now it appears the Hunts are crashing too."

Dr. Coleman (quoted earlier) is more sympathetic than most observers about the Hunts' bizarre investment strategies. "They are intelligent people who got themselves persuaded by 1980 that inflation was permanently here to stay. They extrapolated all those curves for 15 years between 1965 and 1980 and if they made a fatal error it was to lay a ruler on a set of trends and not recognise an old principle that nothing is for ever."

William Hall
(By special arrangement with the Financial Times, London)

JAPAN

New investment options

The world faces what could be the biggest-ever shift in the pattern of foreign investment as Japan acclimatises to the high yen. The four western finance ministers who browbeat Japan into curbing its policy of export-led growth last September, did more than help push the yen up from Y240:$1 to the current level of about Y150:$1. A strong yen will force Japanese business to do one or all of three things: cut costs at home, mainly by automation; set up or expand abroad to supply local markets and third countries, or invest abroad to supply components and finished goods to Japan.

The strong yen should cut Japan's massive current-account surplus and speed up the outflow of capital. The Nomura Research Institute in Tokyo suggests that Japan's net overseas assets will increase from $120 billion (Rs. 1,44,000 crores) at end 1985 to $556 billion (Rs. 6,67,200 crores) in 1995. This may not seem so far-fetched when it is remembered that the current stock

Japan's prime minister Yasuhiro Nakasone: protectionism worries

of investments abroad comprises only 8% of Japan's gross national product compared with 22% for Britain.

Much of that outflow will take the form of portfolio investment while the Japanese remain hooked on instruments such as US treasury bonds. But foreign direct investment—acquiring an equity interest in managing an overseas enterprise—will also expand dramatically from the current level of about $84 billion (Rs. 1,00,800 crores). Less than 4% of the production of large Japanese companies originates abroad, compared with more than 12% for firms of similar size in the US and Western Europe.

Numerous restrictions. The biggest firms will expand their operations outside Japan, but much of the new investment will come from smaller, novice multinationals. Much of their cash will be spent in East Asia, and probably by preference in Taiwan and South Korea because of their geographical proximity and their industrial structures, which are similar to Japan's. But because of these two countries' numerous restrictions on direct investment, many Japanese firms may instead set up operations in Hong Kong (where recently the thrust of Japanese investment has been in finance and real estate) and in ASEAN.

This should help to redress the balance of Japanese foreign investment, which in recent times has been directed largely towards the US and Europe in an effort to avoid the growing protectionist barriers in the West. The growing use of automation and robots in manufacturing has also somewhat eroded the labour-cost advantage of ASEAN countries as a whole.

The yen's surge may boost other countries' foreign investment in Southeast Asia as well. If Japan seeks cheaper manufacturing bases overseas to stay competitive, its rivals may follow suit, especially if that increases their chances of penetrating the Japanese market. As one example, Seagate Technology, USA the world's largest producer of rigid disk drives for desktop computers, expects its production bases in Singapore and Thailand to be well-placed to penetrate Japan—where it has so far sold almost no units at all.

The prospect of a surge in Japanese investment could not come at a better time. The World Bank reckons that total financing flows to the developing world shrank by almost a quarter in real terms to $62.3 billion between 1980 and 1985. Of that, net private lending to developing countries slumped by 61% to $15 billion, but direct investment failed to fill the gap, remaining constant at $11 billion.

Multinationals have not expanded dramatically in developing countries for a host of reasons. A large proportion of their investment is resource-based quarter of Japan's and the US' ass were in mining, oil and natural gas 1980) and commodity prices ha slumped. Yet another factor whi could discourage US multinational i vestment overseas is the current ove haul of tax legislation which son argue, will encourage US firms to boo domestic operations in order to explo lower taxes. Equally though, it cou encourage competitive tax reductions other countries.

Clearest example. More worrying is th remorseless rise of protectionism, whic encourages developed countries to in vest in other rich economies for fear o being shut out in the future. Th clearest example up to now of this tren appears to be Japan itself, whose direc investment in Asia fell by 12% in th year ended March 1986 to $1.4 billion while it jumped in the US by 55% t $5.5 billion.

Capital expenditure in Europe b Japan may have fallen marginally, bu the pattern of investment there, as in the US, has been shaped by protection for locally produced electrical goods (television sets, video-cassette recorders and other such items). Japan's industrialising neighbours might have expected to win much of that investment, because they have been more adept than other developing regions in boosting exports of manufactures—electrical goods in particular. Foreign investment by Japan in Europe remained stable at $1.93 billion last year, while in proportionate terms it dropped to 16% from 19% the year before.

While protectionist barriers cast a shadow over East Asia, growing automation in Japan, Europe and the US is beginning to undercut one of ASEAN's chief advantages: cheap labour. The Japanese have traditionally excelled in large-scale manufacturing processes, which lend themselves to automation. There were more than 67,000 industrial robots in Japan in end 1984, more than in the US and Europe together. Seiko, the world's largest watchmaker, has declared that its robots can still produce timepieces more cheaply than human workers in Hong Kong. Its rivals in Switzerland are in the same position, with their country's strong currency.

European and US industries are struggling to build their own (non-unionised) force of robots, thereby keeping investment at home, but some products have such short life cycles that automation is uneconomic. Disk drives still need to be assembled by hand, even if the thin film disks inside them can be mass produced in the US or Japan. And, whatever

"Jobs for them joblessness for us"

happens, multinationals still stay close to their markets. SGS, an Italian chipmaker has exported its own design team to Singapore to respond quickly to the demands of customers in the Far East. Foreign companies are automating their factories in the newly industrialised countries (NICS) as well as back home.

Even tariff barriers can be a blessing in disguise. NEC Corporation plans to safeguard its US sales of 256K-DRAM semiconductors by exporting them next year from Malaysia as well as from Britain. A quarter of NEC's total output of 4 million chips a year will be made in Malaysia and a similar amount by the British subsidiary, with the rest produced in the US.

Successful strategy. The fear that countries such as Malaysia and Thailand might be tarred by the same protectionist brush as Japan is one reason why South-east Asia does not want to become too dependent on Japanese investment. Official delegations have beaten a path to Tokyo's door more often since the yen began to rise, but they have been anxious not to ignore Europe and the US. This strategy has, in the past, succeeded. The EEC's share of total foreign investment in ASEAN rose from 13% to 19% in 1977-84, while the US share increased from 18% to 21% in the same years. Japan's investment fell to 27% from 32%.

All ASEAN countries have liberalised their foreign investment rules in an effort to lure more companies to set up there. Malaysia has relaxed the foreign equity requirements under its new economic policy, by giving Rothmans permission to retain control of their subsidiaries. Thailand is offering tax holidays for periods of up to eight years, and Singapore has cut corporate tax rates from 33% to 10% for firms setting up regional headquarters there. Not to be outdone, Indonesia (whose foreign investment inflows have been by far the biggest in ASEAN, even after excluding oil) has cut red tape and opened new areas in which foreign investors can participate.

Even so, the pattern of incentives and rules differs radically. ASEAN remains an economic block of 290 million workers and consumers divided into six separate compartments. Since each one stands on different rungs of the development ladder, they offer a potential investor a varying selection of risks and rewards. For the near term, Singapore, Thailand and Malaysia look better placed to ride a new wave of foreign investment than Indonesia, Brunei and the Philippines, but Japanese investors' time horizons stretch far beyond the next five years.

Nigel Holloway
(By special arrangement with the Far Eastern Economic Review, Hong Kong).

INDONESIA

Bleak countdown

Indonesia, the world's largest archipelagic nation comprising five main islands and 13,672 minor ones (pop. 165 million) is currently in the grip of the worst economic crisis since its independence from Japanese rule in 1945. President Suharto's 19 year old government which has all along laid great stress on stability, is floundering on the rocks of the global oil glut and facing serious charges of corruption. With national elections looming ominously close (April 1987), these two factors could well dissuade Suharto from standing for an unprecedented fifth term as president.

Adding to Suharto's problem is the fact that the allegations made against him are by Ali Sadikin, a former governor of Jakarta from his (Suharto's) administration who is currently the strongest critic of the ruling party. Sadikin has accused the Suharto administration of widespread corruption and "leaks" and "wastages" in economic management. Nor has the fact that the rate of real economic growth, which has fallen from 6.1% in 1984 to a mere 1.9% within a year, made Suharto's image building task as the countdown for the election begins, any easier.

Suharto: unenviable task

All of Indonesia's current economic mess is not of the Suharto administration's making. The unprecedented fall in crude oil prices from $25 per barrel last year to just $10 currently, has had an adverse effect on all aspects of Indonesian life. With oil and related industries accounting for 60% of the government's domestic revenues and 70% of foreign exchange earnings, Suharto now has the unenviable task of explaining to his countrymen that the period of rapid growth of the economy is over.

Unwelcome prospect. These factors have caused ripples of restlessness throughout the country. With foreign investment suddenly having fallen sharply in recent times, there is large-scale unemployment and those who were formerly dependent on foreign enterprises for their livelihood now face the unwelcome prospect of having to return to their less developed villages, and engage in the less profitable occupation of tilling the soil.

According to available reports, 430 companies in Indonesia laid off 30,548 workers during 1985. With unemployment already at 35% (compared with India's estimated 30%), the Indonesian government would need to create 180 jobs or one small factory every hour to rectify the situation. Although Suharto claims that he can contain the social unrest that is inevitable as a consequence, dismal statistics show that the situation may not be so easily controlled.

Writing in the *Far Eastern Economic Review* (4th September), Nigel Holloway notes that "total new foreign investment approvals slumped from $2.52 billion (Rs. 3,024 crores) in 1983 to $699 million (Rs. 838 crores) in 1985. Simultaneously, Japanese investment fell from $460 million (Rs. 552 crores) to $63 million (Rs. 75 crores)."

Referring to the recent (May) legislation which cuts reams of red tape to encourage foreign investments into Indonesia, Holloway remarks that though the May investment measures are welcome, they are unlikely to increase capital inflows dramatically. "The number of areas in which the foreign companies are allowed to invest has grown to 926, almost double the number last year, but they exclude some tempting consumer products in industries like food and pharmaceuticals." The Indonesian business community feels that the government must cut interest rates and reduce transport and energy costs to resuscitate industry.

In the heavily foreign trade-oriented Indonesian economy, exports plus imports account for around 45% of the country's GDP and most exports are essentially of primary commodities. Apart from crude oil and natural gas (the latter will gain increasing importance as a result of a recent 20 year export contract with Japan and South Korea), timber (the largest non-oil export earner), palm oil, rubber, coconut and tin are the other important commodities. Among manufactures, exports are dominated by textiles and garments, appliances and cement.

Import control. The second largest debtor country in South-east Asia (after South Korea), Indonesia's balance of payments has invariably been in deficit, particularly since 1981. Hence that nation has always tried to control its imports in order to gain export surpluses to service its current account deficit. The country's trade surplus reached a peak of $11,075 million (Rs. 13,290 crores) in 1980 but fell to $4.8 million (Rs. 5,760 crores) in 1983 exports declined. Imports were reduc considerably in 1984 to $13,882 milli (Rs. 16,658 crores) as against $16,8 million (Rs. 20,230 crores) in 1982 achieve a trade surplus of $8,020 milli (Rs. 9,624 crores).

However, though Indonesia's forei trade usually shows a surplus, its b lance of payments has been adver since 1980 given the country's larg overseas debt and import of invisible In 1980, the country had a surpl balance of payments aggregating $2 billion. In 1983, the country's balance payments was in the red to the tune $6.33 billion. By drastically curtailin imports, the balance of payments defic was halved to $3.1 billion in 1984. But sharp cutback of imports has prevente the country from building its alread weak industrial base. All manufacturin activity contributes a mere 12% to GDP

An additional problem for Indonesia's already burdened import policy i its heavy dependence on Japanese an West European suppliers. With th Indonesian rupiah greatly influenced b

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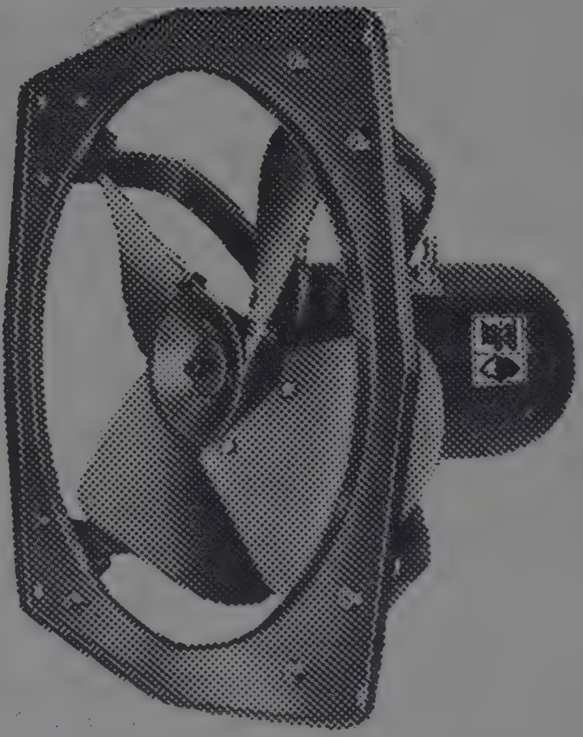

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the exchange rate of the dollar and the recent weakening of the dollar against the yen, the deutsche mark and other European currencies, the value of imports in local currency has been inflated, thus putting pressure on domestic prices.

As a result of falling export earnings, Indonesia's debt profile—like that of most developing countries—is deteriorating. During 1985, external debt rose by $5 billion (Rs. 6,000 crores) of which about $3.7 billion (Rs. 4,420 crores) was on account of the fall in the value of the dollar. By end March 1986, the external debt of the country had risen to $29 billion (Rs. 34,800 crores). Quoting the International Monetary Fund's confidential report on Indonesia, Sloven Jones writing in the *Asian Wall Street Journal* (20th June) says that one-third of Indonesia's debt is denominated in the yen which has been rising inexorably against other currencies in recent times and currently the country's external debt-service ratio has risen to 25.2%—well above the 20% danger mark.

And a disastrous fallout of this adverse debt-service ratio is that despite huge potential, both in the oil and non-oil sectors, foreign investors are showing little enthusiasm to pour money into Indonesia where red tape and institutionalised corruption make India's corruption problem look small by comparison. And despite OPEC's efforts, oil prices are unlikely to be raised from its current lows.

Import cutbacks. But Indonesia also has another problem—oil production is falling due to import cutbacks of equipment. Currently, it is unable to attain its low quota of 1.19 million barrels per day as per the latest OPEC agreement. In addition, the quality of Indonesian crude oil is inferior to that of the African countries and its oil price realisation is lower than that of most OPEC member nations.

Thus engulfed by dark clouds, the Indonesian economic scene is hardly inspiring. Forsaken by investors, hampered by restrictions, red tape, corruption, simmering social unrest and political dissidence, Indonesia will need more than its strengths of a low inflation rate (4.5%) and high foreign exchange reserves, to pull the country out of its current crisis. If President Suharto wins the elections, his first task will be to reduce his nation's excessive dependence on oil for revenue and develop other industries which are less susceptible to constant price fluctuations.

MGK

LETTER FROM BANGKOK

PAISAL SRICHARATCHANYA

Right royal row

Just three weeks after its formation, prime minister Prem Tinsulanond's fifth coalition government was jolted by its first political test when deputy interior minister Veera Musikapong, the young but influential secretary-general of the largest coalition partner, the Democratic Party, resigned from his cabinet post because of a storm of protests from within and outside parliament—to face legal action on a controversial lese-majeste charge. As the case was turned over to the judicial machinery; Veera's 1st September resignation effectively robbed the opposition MPs of what had until then constituted legitimate anti-government ammunition.

However, the uproar was a clear pointer that the newly formed opposition alliance—comprising such fiery speakers and political old-timers as Prachakorn Thai party boss Samak Sundaravej and United Democratic party leader Boontheng Thongsawat—would keep the government on its toes.

Deliberately exploited. Veera had at first been adamant that he would not resign, saying such a move would be tantamount to admitting guilt. But the controversy was politicised to a scale that went far beyond a personal matter. Despite opposition claims that their prime target was to pressure for the minister's removal, there were strong feelings within the ruling four-party coalition that the issue was deliberately exploited to try to discredit Prem as much as destabilise the government. The prime minister was taken to task during a closed parliamentary session on 27th August. According to well-informed sources, his loyalty to the throne was questioned by Samak who, among other things, criticised Prem for favouritism by appointing someone with an allegedly tarnished record. A leader of the Democrats' southern wing, Veera is known to be close to Prem, also a native southerner.

Given his impeccable royalist record, Prem was understandably shaken by Samak's remarks. In reply, the prime minister reportedly stated that he treasured the royal family above all things—even more than his own life.

Despite Veera's claims that he resigned of his own free will—to end the issue in parliament and avert criticism that he might use his ministerial power to interfere with the judicial process—reliable sources say that there was considerable pressure exerted by a powerful army faction during the weekend preceding his resignation.

The uproar was triggered by two separate but similar speeches Veera made while campaigning for the party in the north-eastern province of Buriram two weeks before the 27th July general election, in which he allegedly made sensitive allusions to the royal family. The Thai monarchy is traditionally revered as a sacred institution, any criticism of which amounts to a criminal offence.

Veera, on 25th August, performed an atonement rite before a portrait of King Bhumibol Adulyadej. On the same day, he submitted a letter to the king's principal private secretary, reiterating his loyalty and seeking royal forgiveness should the extensive press coverage have irritated the monarch. The senate motion was subsequently dropped after police promised to proceed with legal action. At his own insistence, Veera later obtained government MPs' approval to forfeit his parliamentary immunity and surrendered to police before being granted bail. The government had apparently hoped that the political heat would calm after the case entered the judicial process. But several right wing pressure groups had by then jumped on to the bandwagon to demand Veera's resignation.

Serious test. His exit removed the need to put the new coalition's unity to its first serious test. With a comfortable 232 seat majority in the 347 seat house, the coalition should in theory have been able to muster the 174 votes (or over half the elected chamber) required to survive a no-confidence motion. But given the dilemma of many government MPs—some had announced they would not back Veera while others were wavering—a vote, if it had materialised, would have been extremely close.

While the government can now turn to the more crucial affairs of running the state, the episode amounted to a double blow for the Democrats at a time when the party was rife with rank-and-file resentment over its poor allocation of cabinet post. It was not immediately clear whether Veera's place would be filled right away or reserved for his possible return if he is cleared in court.

BANKING & FINANCE

BankAmerica's divestiture

■ The US-based BankAmerica Corporation, the second largest commercial banking corporation in the US (assets: $118.54 billion or Rs. 1,42,248 crores in 1985), plans to sell its highly profitable Italian bank subsidiary, Banca d'America e d' Italia for a minimum of $600 million or twice its book value of $282 million.

BankAmerica wants to sell its unit as it is reportedly badly in need of cash, having suffered a massive loss of $640 million in the second quarter of this year, due to 'loan-loss provisions.' Also, given BankAmerica's new strategy of "concentrating on serving a relatively few huge multinational corporations through a global network of offices," the Italian subsidiary is of peripheral interest being a mere "retail operation."

Although sceptics feel that BankAmerica will not get the high price it is asking for its Italian subsidiary, it has already received eight offers including those from a finance company partly owned by the Italian automobile manufacturer Fiat SpA, and three Italian banks.

BANKING & FINANCE

Barclays' American foray

■ The first British bank—and only the second foreign bank after Spain's Banco Central SA—to be listed on the New York stock exchange is the London-based Barclays Bank plc (assets: $94.20 billion or Rs. 1,13,040 crores in 1985). With Barclays' decision made in early September, other international banks are likely to follow suit. Barclays, which has already established its presence in the US with assets of $15 billion (Rs. 18,000 crores) invested in that country and 8,000 employees in its banking and finance businesses spread across 36 US states, hopes by this move to have greater access to US capital markets and attract the custom of big international investors.

AUTOMOBILES

Nissan's British project

■ Nissan Motors (sales: $18.23 billion or Rs. 21,876 crores in 1985), Japan is all set to go ahead with the second phase of its UK car assembly project at Washington in north-east England at a cost of $492 million (Rs. 590.4 crores), creating a further 2,200 jobs at its factory. Recently, Mrs. Thatcher, Britain's prime minister, formally inaugurated the first phase of the plant on which Nissan spent about $50 million (Rs. 60 crores) and which employs 470 people.

By moving into the second phase Nissan will receive about $100 million by way of government grants and regional development money for the project. The Washington plant is expected to produce 100,000 cars annually by 1991.

EUROPE

Fiat-Matra venture

■ Italy's car manufacturing giant, Fiat SpA (sales: $14.19 billion or Rs. 17,028 crores in 1985) has signed an agreement with Matra SA, France a state-controlled manufacturer of arms and electronics (sales: $1.66 billion or Rs. 1,992 crores in 1985) to merge the auto parts manufacturing units of the two companies. The newly promoted company will be incorporated in France with Fiat owning 65% and retaining management control, while Matra will own the remaining 35%.

The new company will group 23 Fiat and 14 Matra plants worldwide, with annual sales totalling $998.3 million (Rs. 1,198 crores). The as yet unnamed company will become the world's largest manufacturer of carburettors and will claim 50% of the carburettor market and 40% of the dashboard instruments market in Europe.

JAPAN

Mitsubishi's difficult year

■ Mitsubishi Chemical Industries (sales: $5.11 billion or Rs. 6,134 crores in 1985), Japan's largest integrated chemicals manufacturer, registered a sharp decline of 25% in its net profit in the first half of this year (ending 31st July). Net profit per share fell to Y3.10 from Y4.33. According to Japanese media reports, sales of some products such as those supplied to the electronic industries were higher but petrochemicals were hit by falling prices while coke and other products supplied to the steel industry suffered a fall in demand, resulting from the demand recession in the steel industry.

The Mitsubishi Chemical management predicts a difficult business environment during the second half of the year as well.

UNITED STATES

Armco's labour trouble

■ Armco Inc. (sales: $4.10 billion or Rs. 4,920 crores in 1985), the fifth largest US steel company, is currently experiencing an unprecedented crisis. The company's management threatened to file for protection under the US bankruptcy law, after a walkout—the first in Armco's 86-year history—by 4,187 workers. The workers are protesting a 50 cent on $11 per hour pay cut and a 25% reduction on pay incentives as also cuts in vacation, medical and retirement benefits, which th felt was an unfair trade return for a profit shar plan which the manageme feels will be more than co pensatory.

This is the third strike six weeks in a major US st enterprise reflecting the sta of the beleaguered US ste industry which is rife wi labour problems.

UNITED STATES

Paper whit knight

■ Hammermill Paper (sale $1.88 billion or Rs. 2,25 crores in 1985), the large US producer of fine writin paper, recently accepted cash takeover bid of $1.0 billion (Rs. 1,296 crores from the US-based International Paper (sales: $4.5 billion or Rs. 5,402 crores) th world's largest paper manufacturer.

International emerged as a 'white knight' for Hammermill which has been fighting a $870 million hostile bid from the California-based Bilzerian group. Under the agreement Hammermill will operate as a subsidiary of International Paper.

OPEC

Oil price strategy

■ The increase in oil production in recent years by non-OPEC members such as Norway and Britain as well as OPEC's own oversupply has forced oil prices inexorably down during the last eight months. In an attempt to reverse the price slide, OPEC members (excluding Iraq which has been left free to produce as much as it wishes) agreed to reduce their output during September and October to 14.8 million barrels per day (bpd)— a cut of 3.3-3.4 million bpd from July and August levels. Iraq is expected to add 2.2 million bpd to that figure, making OPEC's total output 17 million bpd.

ORKAY

Mixed prospects

The current year (ending 31st March 1987) outlook for Orkay Silk Mills Ltd., the well-known synthetic yarn and textiles company, is unexciting.

The company, which suffered a severe setback on profitability last year with the gross profit and net profit plummeting by 18% and 40% respectively, is unlikely to stage a remarkable recovery this year. Though sales turnover may register a modest rise during the current year, profit at the gross level is unlikely to record any improvement given the marked decline in prices of polyester yarn.

Again, as several new entrepreneurs are entering this industry, polyester yarn manufacturers' margins are likely to be under pressure. However, net profit may improve as the interest burden this year will be lower on account of a Rs. 30 crore debenture issue made in July.

Nevertheless, the company's long term outlook seems to be fairly promising, as the company has received the green signal from New Delhi to expand its polyester yarn capacity by 150% i.e., from the present level of around 7,500 tonnes per annum to around 19,000 tonnes. According to company spokesmen, this Rs. 75 crore expansion will be completed within the next 18 months. In addition, the company's management is planning to install 50 waterjet looms at a cost of around Rs. 16 crores in its Patalganga factory and also to promote a leasing company. All these developments augur well for the long term outlook of the company.

POLYCHEM

Expansion plans

Polychem Ltd., a (Ramdas) Kilachand group company, engaged in the manufacture of polystyrene, industrial alcohol, ABS resins and vinyl acetate monomer etc., is setting its sights high. The company, which came out of the woods in 1984 and has been faring well since, is planning to expand its activities in a big way. It has applied for industrial licences to set up several downstream projects in the proposed petrochemicals complex to be set up at Hazira, Gujarat. The company initially proposes to construct three units for the manufacture of styrene, polystyrene, copolymers and popylene oxide as well as glycol polyols and polyurethane foam.

Meanwhile, it has already received government approval for the re-endorsement of the capacity of its ABS plant from 2,000-5,000 tonnes per annum. Steps are being taken to implement this expansion.

Meanwhile, the company is faring well in its current year ending 31st March 1987. If half time (April-September 1986) performance is any indication, the company's sales turnover in 1986-87 will exceed Rs. 75 crores and profit at the gross level will improve by at least 25% over the Rs. 6.27 crores realised last year.

Consequently shareholders can expect a higher dividend (after adjustment for free scrips) on the increased equity capital (of Rs. 3.60 crores after its recent 1:2 bonus issue) than the 25% paid on the pre-bonus equity capital of Rs. 2.40 crores last year.

HIND COCOA

Promising new projects

Hindustan Cocoa Products Ltd. (formerly Cadbury India), the country's premier chocolates manufacturing company, is all set to enter the biscuits manufacturing business. This augurs well for the company as there is a shortage of supplies of quality products in the national market for biscuits, the size of which has been growing at a fast clip of late.

Simultaneously, the demand for chocolates is also rising and to meet the needs of a growing market, the company's management has decided to construct a modern chocolates factory in Madhya Pradesh at an estimated cost of around Rs. 20 crores. This plan will be implemented within the next 18 months.

Meanwhile, the company continues to fare well. Sales turnover which had grown at the rate of 25% in each of the last two years ended 30th June 1986 is likely to rise further by 25%-30% in 1986-87 and is all set to cross the Rs. 100 crore mark in 1987-88. Profitability is also improving noticeably and earnings per share (Rs. 10 paid up) is likely to advance to Rs. 10 this year. Consequently shareholders can certainly expect a further hike in the equity dividend which was raised from 20% in 1984-85 to 28% in 1985-86.

Companies this fortnight

(Rs. crores)

	Orkay			Hindustan Cocoa			Polychem		
	(year ending March)			(year ending June)			(year ending March)		
	1984	1985	1986	1984*	1985	1986	1984	1985	1986
Sales	141.61	185.73	243.04	58.42	49.17	61.38	37.57	44.10	57.43
Gross profit	4.49	16.49	13.49	6.78	5.27	7.24	1.22	4.08	6.27
Paid-up capital	6.45	16.12	16.15	3.00	4.20	4.20	2.90	2.90	2.90
Reserves	13.54	25.75	25.10	5.81	7.09	9.26	1.93	2.67	3.45
Gross fixed assets	26.74	56.11	80.35	13.60	13.09	14.10	34.17	34.51	28.94
Dividend (%)	Nil	25.00	25.00	25.00	20.00	28.00	Nil	20.00	25.00
Earnings per share (Rs.)	31.94	8.37	4.30	7.75	5.04	7.95	8.30	25.49	32.15
Paid-up value (Rs.)	100.00	10.00	10.00	10.00	10.00	10.00	50.00	50.00	50.00
Market price as on 12th September 1986 (Rs.)			154.00			155.00			230.00

** 18 months year ended*

IPCL

Satisfactory results

The Baroda-based public sector Indian Petrochemicals Corporation Ltd. (IPCL) has posted satisfactory results in its year ended 31st March 1986. The company achieved an all time high in the production of ethylene linear alkyl benzene and ethylene oxide in the recently concluded year. Sales turnover increased to Rs.687 crores this year from Rs.586 crores in 1984-85 prompting the board of directors to declare a dividend of Rs.18.6 crores.

IPCL's performance in the first quarter of 1986-87 has also been satisfactory, with sales turnover touching Rs.113 crores. The company's projects to manufacture polypropylene copolymers and bicomponent and acrylic fibres are being implemented according to schedule.

INDIA FOILS

Handsome dividend

India Foils Ltd., the Calcutta-based manufacturer of aluminium foils and container sheets and strips used for packaging, has announced its operational results for the extended 18 month period ended 30th June 1986. Sales turnover amounted to Rs.83.24 crores (*cf.* Rs.49.46 crores in the previous 12 month year) while pre-tax profit aggregated Rs.5.10 crores (*cf.* Rs.3.44 crores).

The company's board of directors has recommended a final dividend of Rs.1.70 per equity share (subject to tax deduction) in addition to an interim dividend of Rs.1.50 per share paid earlier, bringing the total dividend for the year to Rs.3.20 (32%) per share.

HOC

Record production

The public sector Raigad (Maharashtra)-based Hindustan Organic Chemicals Ltd., recently announced its financial results for the year ended 31st March 1986. According to a company communication, HOC achieved a record production of 1,14,728 tonnes per annum (tpa) – *cf.* 1,13,929 tpa in 1985 — of chemicals during the year, with a 90% capacity utilisation. Net sales rose by 8% over the previous year's figure to Rs.70.47 crores, with net profit increasing marginally from Rs.6.11 crores to Rs.6.48 crores. The company's export drive was also satisfactory, and income derived therefrom rose by 36% over the previous year's figure to Rs.2.41 crores.

The company plans to set up a 5,000 tpa di-phenyl methane di-isocyanate plant and a 33,000 tpa caustic soda plant for which it is awaiting the green signal from the Union government.

ISPAT GROUP

Good progress

Nippon Denro Ispat Ltd., a company of the Calcutta-based Ispat group which has its works situated near Nagpur where it manufactures thin gauge galvanised plain and corrugated sheets, has made good progress in its first 10 month 'year' of operations, ended 31st July 1986. The company recorded a sales turnover of Rs.31.09 crores and a gross profit of Rs.3.14 crores. Encouraged by these operational results, the board of directors has declared an interim dividend of 10%.

The first industrial venture in India of the Ispat group, Nippon Denro Ispat will shortly promote a new venture to manufacture cold rolled steel. The modern technology project will require an estimated capital outlay of Rs.75 crores.

VAN ORGANIC

Excellent results

The Moradabad (UP)-based Van Organic Chemicals Ltd. has recorded excellent results in its financ year ended 30th April 1986. The company's sales turnover increased by 37.5% to Rs.26.23 crores while gross profit (before depreciation) rose from Rs.7.02 crores from last year to Rs.7.8 crores. Profit before tax also increased from Rs.5.35 crores to Rs.6.09 crores. Based on this operational performance the board of directors has announced a dividend of 20% *cf.* 15% paid last year

The company has also embarked on a number of diversification plans. A Rs.2 crore sophisticated energy conservation and effluent treatment project in collaboration with British an Belgian companies is on the drawing board. Another project, in collaboration with Scientific Design, USA is for the manufacture of mono-ethylene glycol at a project cost of Rs.80.75 crores. The plant, India Glycols Ltd., is to be based in Nainital, Uttar Pradesh. Diversification plans to enter the field of electronics are also being considered.

Some forthcoming public issues

Company	Type	Date	Issue size (Rs.crores)	Purpose
PSB Finance & Leasing	E	29th September	0.61	Long term working capital
Sooraj Generators	E	29th September	0.62	Expansion and modernisation
Himatsingka Seide	E	29th September	0.62	Expansion and diversification
Hemkunt Timber	E	29th September	0.80	Long term working capital
Classic Leasing	E	29th September	0.60	Long term working capital
A.S. Rototech	E	4th October	0.70	To part finance the project cost
Omni (India)	E	6th October	0.78	Expansion and diversification
Paam Pharma	E	6th October	0.70	Expansion and modernisation
Prakash Leasing	E	6th October	0.72	Expansion and diversification
Enfield Electronics	E	6th October	0.60	To part finance the project cost
Rampur Distillery	E	6th October	1.72	Expansion and diversification
GVK Hotels	E	15th October	13.00	Long term working capital
Gayatri Syntex	E	15th October	0.55	To part finance the project

E = Equity share, Rs. 10

ILLICK NIXON

Low dividend

Killick Nixon Ltd., the highly diversified Bombay-based ompany involved *inter alia* in the onstruction, paints, finance, steel, and hipping businesses, has announced its esults for its year ending 30th November 1985. Sales and other ncome increased to Rs. 17.49 crores *cf.* Rs. 14.43 crores in the previous year, while net profit rose to Rs. 45 lakhs compared to Rs. 10 lakhs realised in 1983-84. However, the board of directors has declared a low dividend of Rs. 5 on its Rs. 100 shares.

BHARAT PIPES

Target exceeded

The Gujarat-based Bharat Pipes & Fittings Ltd. has chalked up excellent results in its current year ended 29th June 1986. The sales turnover of the company has exceeded the target at Rs.10.60 crores, a 100% increase over the last year's figure. Gross profit increased by 140% to Rs.96.30 lakhs. Consequently the management of the company has declared a dividend of 18% for the current year.

Meanwhile the company has many expansion plans on the anvil, prominent among them being one to enter into the manufacture of PVC based products.

UNISCANS & SONICS

Excellent results

Uniscans & Sonics Ltd. — a company of the Chandigarh-based United group — which manufactures whole body and organ scanners and related equipment in technical collaboration with Toshiba of Japan, has posted excellent working results in the year ended 31st March 1986.

The company's sales turnover shot up by a remarkable 475% to Rs. 8.33 crores in the recently concluded financial year *cf.*Rs. 1.76 crores in the previous year. Gross profit rose to Rs. 3.43 crores from the previous year's figure of Rs. 1.03 crores. As a result, the directors have recommended a 25% dividend for the year.

The company plans to diversify into the manufacture of printed circuit boards (PCBS) by December this year and its PCB factory is now nearing completion. Preparations are already underway for the manufacture of other hi-tech items such as nuclear magnetic resonance spectroscopes, high powered X-ray equipment and linear and dental X-ray equipment.

The company proposes to part-finance these diversifications in the near future by issuing partly convertible debentures aggregating to Rs. 9 crores. A portion of the debenture issue will be reserved for subscription by the company's existing shareholders and the remainder will be offered for open subscription.

AUTOMOBILE CORPORATION

Mixed results

The Automobile Corporation of Goa Ltd. based in Sattari (Goa), has posted mixed results in the company's year ended 31st March 1986. The sales turnover at Rs. 8.3 crores was an appreciable improvement over the previous year's figure of Rs. 6.7 crores. However, net profit fell to Rs. 90.26 lakhs *cf.* Rs. 1.03 crores in the earlier year.

The directors have recommended a maiden dividend of 15% on the equity share capital which will absorb Rs. 35.25 lakhs.

RAMPUR DISTILLERY

Marked improvement

One of the five largest distilleries in India, the New Delhi-based Rampur Distillery & Chemical Co. Ltd., manufacturers of industrial alcohol and Indian-made foreign liquor achieved a sales turnover of Rs. 7.66 crores in its year ended 31st December 1985 — a marked improvement over the previous 14 month 'year' figure of Rs. 5.9 crores. The company's gross profit rose by a healthy 70% to Rs. 64 lakhs (*cf.* Rs. 44 lakhs). The company's directors have recommended a dividend of 15%.

Having already spent Rs. 1 crore in modernisation and expansion programmes, the company plans to invest a further Rs. 2.53 crores. To part finance the costs of expansion and diversification, the company intends to enter the capital market by October this year to raise a total sum of Rs. 2.36 crores, partly through a rights issue and partly through a public issue.

PEOPLE & PLACEMENTS

P.N. VIJAY has joined Citicorp Investment Bank as vice president, merchant banking head, India.

R. VIJAY-RAGHAVAN has taken over as branch manager, International Data Management Ltd., Bombay.

S.K. MIGLANI has been appointed senior vice president, Toshiba Anand Batteries Ltd., Cochin.

N.V. PARANJPE has been appointed director (marketing), Hindustan Petroleum Corporation Ltd.

S.P. KHANNA has taken over as chief (public relations), HMT Ltd.

MADANMOHAN MANGALDAS has been elected president of the International Textile Manufacturers Federation, Zurich.

MINOO SHROFF has been elected president of the Indo-Japanese Association, Bombay.

Portfolios: new purchases

Further changes in the *BusinessWorld* portfolios following the one recommended when I had last reviewed the portfolios six weeks ago (*BW* August 18-31, p. 95) have become necessary. The change then was limited to portfolio A, drawn up to provide a steady income with some prospects of capital appreciation. But this time the changes are being run in both portfolios including portfolio B, drawn up for capital appreciation *per se*.

This is because the scrip to be discarded and substituted with some others is common to both the portfolios. Whereas previously I had sold Garware Marine from portfolio A and with the sale proceeds had purchased 50 shares of Diamines & Chemicals with a surplus of Rs. 250 still in hand, this time I propose to sell our shareholding in Larsen & Toubro (L&T) in both the portfolios. With the proceeds of this sale I propose to purchase 50 shares of Nippon Denro Ispat, another 50 shares of Diamines & Chemicals and 100 shares of Indian Shaving Products for portfolio A, and 50 shares each of Nippon Denro Ispat and Diamines & Chemicals and 200 shares of Indian Shaving Products for portfolio B.

PORTFOLIO A
For steady income

	Yield*	No. of shares	Purchase price	Amount invested	Market value 8th August 1986	Market value 19th September 198
IDL Chemicals	4.0%	20	65	1,300	1,800**	1,650**
Larsen and Toubro	3.0%	32+	189	3,780	4,152**	3,432**
Garware Polyester	1.9%	50	97	4,850	4,650**	4,350**
Hindustan Lever	1.6%	50	152	7,600	8,672.50**	8,072.50**
Diamines & Chemicals	—	50	24	1,200	1,200	1,000
Surplus cash in hand					250	250
Total investment and market value				18,730	20,724.50	18,754.50

**Based on last recommended dividend. **Includes dividend income. +Includes 12 bonus shares.*

PORTFOLIO B
For capital appreciation

	No. of shares	Purchase price	Amount invested	Market value 8th August 1986	Market value 19th September 1986
Samtel	50	195	9,750	5,986**	5,486**
Larsen & Toubro	48+	189	5,670	6,228**	5,148**
MICO	5	745	3,725	4,425**	4,250**
Total investment and market value			19,145	16,639	14,884

*+ Includes 18 bonus shares. ** Includes dividend income.*

> **'With so sharp a fall in this 'investor's' scrip, which in normal times is considered a good buy... the portfolios have naturally suffered'**

The liquidation from the portfolios of L&T to purchase these new scrips instead is done at the prices of 19th September quoted on the Bombay stock exchange (BSE) where all the newly proposed portfolio scrips are listed for trading. The rationale of divesting the portfolio of the L&T shares is that this scrip has suddenly been eclipsed on the market following reports that the company is likely to record its first ever setback in profitability for the financial year ending 30th September 1986.

Uneconomic operations. The company is said to have suffered due to the uneconomic operations of its newly set up shipping division and the labour problems which have afflicted its 1 million tonne per year cement plant. As instead of deriving benefits out of its cement project the company is being burdened by it, stockmarketmen fear that the results for 1985-86 are likely to be poor. Already, the scrip has suffered a substantial fall declining from Rs. 129 on 8th August to Rs. 106.50 on 19th September.

With so sharp a fall in this 'investor's' scrip, which in normal times is considered a good buy at almost any price, the portfolios have naturally suffered. This setback has been accentuated by other portfolio scrips finally succumbing to bear pressure which dominated the stockmarket during the six week period that has elapsed since the portfolios were monitored earlier. But the setback in portfolio A has been only by way of a reversal of the gains which were registered previously, although in portfolio B this has meant a further erosion in aggregate value from Rs. 16,639 to Rs. 14,884.

Nevertheless, the inclusion of several new scrips is likely to strengthen both the portfolios. Particularly since these scrips *viz.* Nippon Denro Ispat, Diamines & Chemicals and ISP are among the ones currently on the upswing in the market due to expectations of outstanding operational performances. Besides, all these companies are relatively new and believed to be well positioned in their lines of business.

Nippon Denro Ispat, moreover, ha already announced an interim dividen of 10% on its (Rs. 10 paid up) equit share following which the price of th share has perked up from Rs. 24 to Rs 29 recently. Diamines & Chemicals, currently quoted at Rs. 20 on the BSE, coul well be declaring a dividend now that th company has decided to reschedule it board meeting for the financial year ended 30th June, after it had earlier announced that the meeting would be hel on 10th September.

ISP is the latest entrant in the market fo India-made foreign technology razo blades and shaving products an has a technical and financial collaboration with the world leader in razor blade Gillette, which has made a 26% equity share in the Rajasthan-based company The general expectation is that ISP wil acquit itself better than Wiltech India Ltd., which though it signed up a technical collaboration with Wilkinson Sword, UK has not succeeded in making a dent in the Malhotra family's domination of the razor blades market in India.

In the circumstances, it is not unreasonable to expect that these new scrips will lend weight and strength to the *BW* portfolios.

Artymon

Selective purchases

The stock exchanges continue to languish in a tight bear grip. Technically, the markets are oversold, the high contango charges being an indicator of this fact. A little buying support by the financial institutions could loosen this bear grip. Though a rally is expected, a runaway across-the-board boom seems a remote possibility and only fundamentally strong shares are likely to rally.

Fortunately there are signs that the mandarins of North Block have seen the wisdom of supporting the market to facilitate the mobilisation of resources for industry and are looking for ways and means to boost investor confidence. In addition, the institutions, particularly the Unit Trust of India (UTI) which is likely to enter the stockmarket in a big way to make purchases for its India Fund and Mastershare investment trusts, can at this crucial juncture, provide the much needed support to the stockmarket by coming in sooner rather than later. It is against this backdrop and the inevitability of a UTI-led rally, that I propose to make this month's recommendations of equity shares with a future.

Finolex Cables (sales: Rs. 25.77 crores in the year ended 30th November 1985) currently quoted at Rs. 92 is in my opinion a good medium term (24 months) buy. The company manufactures insulated cables, jelly filled telephone cables and PVC power cables — all products with a promising future. The company declared a dividend of 12.5% in 1985 and its Rs. 25 crore modernisation programme is progressing satisfactorily. The company's operational results for 1985 have shown a healthy uptrend and its order book position is very good with the next three years' production presold.

Further given the enlarged outlays of the power and telecommunications sectors during the Seventh Plan period, Finolex is poised for rapid growth. The company has an extremely small capital base of Rs. 1.80 crores against which reserves aggregate Rs. 4.74 crores. A rights issue to finance its expansion programme and perhaps a subsequent bonus issue is quite on the cards. My forecast: barring unforeseen circumstances the price of the equity share of the company will rise to Rs. 180 within the next 24 months.

Max India (sales: Rs. 3.6 crores in the year ended 30th September 1985) is another counter I would recommend. The company commenced commercial production only recently — in February 1985 — and this being its very first year of commercial operations, it has recorded a loss of Rs. 30 lakhs. The company has been jointly promoted by Ranbaxy Laboratories (the company's equity share of Rs. 10 is currently quoted at Rs. 127.50 in the Delhi stock exchange) and the Punjab State Industrial Development Corporation. Max India manufactures the import substitute 6-amino penicillanic acid (6-APA) — a drug intermediate used in the manufacture of semi-synthetic penicillins and amoxycillin trihydrate (Amoxy). The company's turnover has reportedly quadrupled in its year ending 30th September 1986 with a commensurate increase in profitability which is likely to persuade its management to announce a maiden dividend for 1985-86. The equity share of the company currently quoted at Rs. 46 is a good medium term (24 nionths) investment at the end of which period its current price is likely to double.

Food Specialities Ltd. (sales: Rs. 137.11 crores in the year ended 31st December 1985), the high profile consumer goods company, needs no introduction. The company's equity share is currently quoted at Rs. 180 on a ex-bonus basis on the Delhi stock exchange. The company's products are well accepted in the market to the extent that its Nescafe brand is a generic name for instant coffee apart from which its management has been churning out impressive results year after year.

For 1985, it paid a dividend of 40% and declared a bonus issue in the ratio of 1:1. Also during 1985 after a rights issue the foreign equity shareholding has also been reduced from 40% to 30%. The scrip is a good long term portfolio investment which promises steady income and capital appreciation.

> 'The mandarins of North Block have seen the wisdom of supporting the market to facilitate the mobilisation of resources for industry and are looking for ways and means to boost investor confidence. In addition, the institutions, particularly the Unit Trust of India are likely to enter the stockmarket in a big way to make purchases'

Dhrangadhra Chemical Works Ltd. (sales: Rs. 67 crores in the year ended 30th September 1985) is another good short term buy. Currently quoted at Rs. 265, it could touch Rs. 350 within a period of about 10 months. The company is engaged in the manufacture of caustic soda, soda ash and PVC resins. It is reported to be doing extremely well in the current year and the earning per share is likely to be about Rs. 100 in its financial year ended 30th September 1986. A dividend of about 12% is a distinct possibility.

Rising demands. Tyre manufacturing companies in general seem to be faring well in 1986. The rising demand for tyres can be attributed to the rising production of automobiles and automotive two-wheelers. The equity share of **Modi Rubber** (sales: Rs. 392 crores in the year ended 30th April 1985) looks the most promising amongst the shares of various tyre companies at its current price of Rs. 54. On a cum-bonus basis which has still to receive CCI sanction, the share is definitely underpriced. The company has one of the best gross profit to sales ratios in the industry and now with the company's excise duty problems settled, the price of the share should forge ahead.

Modi Rubber's products are well accepted in the marketplace and it is flush with funds since it has advanced numerous interest free loans to associated companies (not necessarily a prudent move). If the results of Vikrant Tyres can be taken as an indicator of the improved fortunes of tyre companies — Modi Rubber has a lot of potential. Not a few stockmarket monitors feel that the bonus ratio may be improved to 3:5 from the proposed 2:5. The share appears to be a good medium term (18 months) buy at the current price.

For those with diversified portfolios who are looking for advice to offload shares, I would recommend the sale of the equity share of **Nirlon** and all automotive two-wheeler companies barring Bajaj Auto and Maharashtra Scooters. Meanwhile the scrips recommended for purchase in this column last month haven't quite set the Ganges on fire. However, they have maintained their values and have held their ground. Britannia and Flakt have appreciated marginally and Baroda Rayon — as predicted — has lost about 30 points.

To conclude, the markets are going to inch up selectively and the name of the game is to pick up intrinsically strong shares at every decline.

Gul Teckchandani

BusinessWorld
September 29—October 12, 1986

Downtrend arrested

With the emergence of the Unit Trust of India (UTI) as a major buyer of equities for its India Fund and Mastershare funds and due to hectic short covering, the downward trend in equity value was arrested during the fortnight ended 19th September. Scattered investment enquiries at lower levels and the run of encouraging corporate news also aided the market sentiment.

Reflecting the upward trend in equity values, *The Economic Times* (*ET*) index of ordinary shares (1970-71 = 100) moved up from 489 on 8th September to 490.4 on 19th September. Likewise, the *Financial Express* equity index (1979=100) rose from 350.18 to 357.16 indicating an increase of 1.99% during the fortnight.

The highlight of trading during the fortnight under review was the smart rise in the price of Grasim Industries (hitherto Gwalior Rayon) which flared up from Rs. 83.50 to an all time new high of Rs. 92.50 on strong rumours of a liberal bonus issue in the near future. Consequently the *ET* sectoral index for man-made fibre equities moved from 820.1 on 8th September to 826.6 on 19th September.

Fertiliser equities were also in the limelight following investment buying and bear covering. As a result the *ET* sectoral index for these equities gained 4.78% to close at 840.8 at the end of the fortnight. Cotton textile shares also firmed up marginally because of stray buying. Paper equities too rule firm on informed buying.

In sharp contrast to the generally upward trend, iron and steel equities were easy because of the reports in a section of the press that the Union government plans to reduce steel prices. Engineering shares too exhibited a bearish trend in the absence of fresh speculative support, prompting the *ET* index for these scrips to shed 2.11 points to close at 863.4.

"After a sustained bear phase, the stockmarket is all set to turn around in the last quarter of the year. Encouraging corporate news, the announcement of liberal bonus and rights shares by pivotals, investment by the UTI and the imminence of the biggest ever public issue in corporate history from Indo-Gulf Fertilisers will set the pace for equities. A bull phase is in the offing," predicts Ananth Bhatt, a chartered accountant and financial consultant to Jayantilal N. Patel, a well-known stockbroking firm based in Bombay.

S. Dhruv

BOMBAY

Name/Industries 1	1985 Price range High 2 (Rs.)	Low 3 (Rs.)	Dividend per share 4 (Rs.)	Opening 8-9-86 5 (Rs.)	Closing 19-9-86 6 (Rs.)	Yield 7 %
Textiles						
Baroda Rayon (100).	500.00 -	282.00	15.00	271.25	242.50	6.2
Bombay Dyeing (25)	156.00 -	63.00	1.75*	93.00	95.00	1.8
Century Spg. (100)	1530.00 -	805.00	24.00*	745.00	810.00	3.0
Century Enka (100)	1240.00 -	600.00	34.00	1120.00	1130.00	3.0
Garware Nylon (10)	64.00 -	24.50	1.80	37.00	35.50	5.1
Gwalior Rayon (10)	88.00 -	53.50	2.20	76.00	NA	...
Indian Rayon (10)	144.00 -	65.00	2.40	122.50	126.00	1.9
JK Synthetics (10)	118.00 -	51.70	1.50	108.50	106.50	1.4
Mafatlal Ind. (125)	400.00 -	235.00	22.00	370.00	367.50	6.0
Nirlon (10)	73.00 -	37.00	2.25*	35.00	30.50	7.4
Reliance Ind. (10)	252.00 -	121.00	4.00	268.00	270.00	1.5
S. I. Viscose (100)	285.00 -	170.00	15.00	195.00	197.50	7.6
Standard Mills (100)	475.00 -	272.00	12.00	435.00	435.00	2.8
Paper						
Andhra Pradesh (100)	195.00 -	160.00	20.00	137.50	137.50	14.5
Ballarpur (10)	68.00 -	43.00	2.20*	56.60	55.00	4.0
Bhadrachalam (10)	36.00 -	20.50	N.A.	36.50	39.50	...
Jayant Paper (10)	28.00 -	13.50	2.00	17.00	20.00	10.0
Orient Paper (10)	101.00 -	59.00	2.00	70.00	70.00	2.9
Steel						
Mukand (10)	54.00 -	21.75	N.A.	51.00	50.00	...
Tata Steel (100)	1255.00 -	379.50	21.00	1242.50	1217.50	1.7
Zenith Steel (10)	78.00 -	27.50	2.50	83.00	80.00	3.1
Metal & Alloys						
Bihar Alloys (10)	26.00 -	8.25	N.A.	14.00	13.25	...
Ferro Alloys (100)	275.00 -	125.00	12.50	340.00	350.00	3.6
Hindustan Alum (10)	94.00 -	51.00	1.35*	77.50	82.50	1.6
Mahindra Ugine (10)	49.00 -	27.00	N.A.	29.00	29.00	...
Engineering						
Antifric Bearings (10)	50.00 -	21.50	1.40	13.50	13.50	10.4
Associated Bearing (100)	800.00 -	435.00	20.00	490.00	480.00	4.2
Atlas Copco (10)	72.00 -	35.00	1.20	88.00	85.00	1.4
Bharat Forge (10)	90.00 -	29.00	1.80*	62.00	65.00	2.8
Bharat Gears (10)	60.00 -	27.50	1.80	24.00	22.50	8.0
Blue Star (10)	92.50 -	32.50	2.00	82.50	86.25	2.3
Elecon (10)	108.00 -	54.50	1.70	106.50	102.50	1.7
Greaves Cotton (100)	350.00 -	202.50	17.00*	280.00	280.00	6.1
Hind Lever (10)	128.00 -	50.75	2.40	168.50	168.00	1.4
Ingersoll-Rand (10)	365.00 -	159.00	3.50	270.00	272.50	1.3
KEC Int. (10)	40.00 -	24.00	1.25	13.00	14.00	8.9
Kinetic Engg. (10)	360.00 -	128.00	2.50	305.00	345.00	0.7
Kirloskar Cummins (100)	753.50 -	500.00	15.00	645.00	635.00	2.4
Kirloskar Oil (10)	36.00 -	19.50	1.25	13.50	14.00	8.9
Larsen & Toubro (10)	193.00 -	72.00	2.40	120.00	107.00	2.0
Mahindra & Mahindra (10)	102.00 -	47.50	1.80*	48.00	49.00	3.7
Otis Elevator (10)	215.00 -	85.00	2.50	130.00	145.00	1.7
Premier Auto (100)	650.00 -	310.00	21.00	885.00	897.50	2.3
Pressure Cookers (10)	49.00 -	25.00	1.90	35.50	35.50	5.4
Tata Engg. (100)	1030.00 -	406.00	23.00	655.00	660.00	3.5
Voltas (100)	470.00 -	358.00	10.00*	222.50	220.00	4.5
Automobiles						
Bajaj Auto (100)	2075.00 -	855.00	30.00	3825.00	3825.00	0.8
Bajaj Tempo (10)	280.00 -	143.00	2.50	117.50	117.50	2.1
Escorts (10)	102.00 -	45.75	2.20	92.00	92.00	2.4
Motor Industries (100)	815.00 -	321.25	15.00	845.00	840.00	1.8
Cables & Electricals						
Asian Cables (100)	215.00 -	112.50	10.00	215.00	242.50	4.1
Bajaj Electricals (100)	340.00 -	115.00	20.00*	685.00	700.00	2.9
Bharat Bijlee (100)	300.00 -	105.00	16.00	485.00	485.00	3.3
Crompton Greaves (100)	350.00 -	257.50	10.00	270.00	270.00	3.7
Peico Electronics (10)	103.00 -	38.50	2.00	58.50	63.00	3.2
Siemens India (10)	87.50 -	38.00	1.40	84.00	90.00	1.6
Dyes & Chemicals						
Amar Dye-Chem (100)	95.00 -	62.50	12.00*	55.00	55.00	21.8
Bayer (100)	480.00 -	320.00	18.00	580.00	576.00	3.1
I.E.L. Ltd. (10)	80.00 -	32.70	2.00	66.00	66.00	3.0
Colour-Chem (100)	335.00 -	185.00	12.00*	242.50	245.00	4.9
Cynamid (10)	80.00 -	35.00	25.00*	60.00	50.00	50.0
Glaxo (10)	75.00 -	23.75	1.80	55.00	55.50	3.2
G S F C (100)	895.00 -	534.00	24.00	193.00	161.50	14.9
Herdillia Chem (10)	67.00 -	25.50	1.80	40.00	39.00	4.6
Mafatlal Dyes (10)	33.00 -	23.50	1.70	22.00	22.00	7.7
Mangalore Chem (10)	50.00 -	19.50	N.A.	41.00	41.00	...
Indian Dyestuffs (100)	390.00 -	267.50	16.00	220.00	220.00	7.3
Indian Organic (10)	141.00 -	50.25	18.00*	73.00	76.00	23.7
Pfizer (10)	100.00 -	39.00	2.00	82.50	82.50	2.4
Polychem (50)	181.00 -	60.00	10.00	216.00	255.00	3.9
Sandoz (10)	80.00 -	31.00	1.40	104.00	108.00	1.3
Sandvik Asia (100)	575.00 -	340.00	10.00	680.00	685.00	1.5
Tata Chem. (10)	155.00 -	64.50	2.50	102.00	105.00	2.4
Warner Hind (10)	75.00 -	36.00	2.50*	82.50	77.50	3.2
Zuari Agro (10)	94.00 -	46.00	2.25*	85.00	91.00	2.5
Shipping						
Chowgule (10)	16.50 -	5.00	N.A.	5.00	4.76	...
Great Eastern (10)	34.00 -	14.25	0.70	15.00	16.00	4.4
Scindia (20)	21.50 -	7.00	N.A.	6.50	6.75	...

BOMBAY Name/Industries 1	1985 Price range High - Low 2 3 (Rs.) (Rs.)	Dividend per share 4 (Rs.)	Opening 8-9-86 5 (Rs.)	Closing 19-9-86 6 (Rs.)	Yield 7 %
Cement					
A C C (100)	610.00 - 380.00	20.00	204.00	214.00	9.3
Digvijay Cement (100)	230.00 - 180.00	20.00	160.00	160.00	12.5
Mysore Cement (10)	48.00 - 30.00	1.75	26.00	24.00	7.3
Raaci Cement (10)	60.00 - 31.00	1.80	25.00	26.00	6.9
Miscellaneous					
Andhra Valley (100)	180.00 - 121.00	16.00	183.75	185.00	8.6
Blow Plast (10)	122.00 - 44.00	2.50*	84.00	81.00	3.1
Colgate (10)	318.00 - 143.50	7.00*	295.00	317.50	2.2
East India Hotels (10)	53.00 - 25.50	2.00	46.00	47.00	4.3
Garware Marine (10)	33.00 - 14.00	1.40*	13.00	12.50	11.2
Gujarat Alkali (10)	65.00 - 38.00	2.50	59.50	60.75	4.1
Harri Malayalam (10)	76.00 - 38.00	2.50	38.00	41.00	6.1
Indian Hotels (10)	135.00 - 77.00	2.50	100.00	100.00	2.5
I.T.C. (10)	59.80 - 29.00	2.25	66.00	69.50	3.2
Lohia Machine (10)	85.00 - 43.50	2.00	22.50	23.50	8.5
Ponds (10)	218.00 - 103.00	4.50	330.00	320.00	1.4
VST Ind (10)	38.50 - 21.00	2.30	30.00	28.00	8.2
Wimco (10)	71.00 - 38.50	2.00	60.00	56.00	3.6
CALCUTTA					
Textiles					
Bharat Commerce (10)	27.00 - 13.75	1.00*	12.50	12.50	8.0
J. K. Cotton (10)	64.00 - 18.00	1.20*	67.25	61.25	2.0
Kesoram Ind (10)	85.00 - 52.00	2.35	62.50	67.00	3.5
Jute					
Birla Jute (10)	105.00 - 51.50	1.85	44.50	49.00	3.8
Reliance (10)	— - —	1.75*	39.00	39.00	4.5
Chemicals					
Chloride India (10)	95.00 - 58.00	2.20*	120.50	121.00	1.8
Indian Oxygen (10)	66.30 - 42.75	2.00*	51.70	51.60	3.9
Engineering					
Alfred Herbert (10)	25.00 - 16.00	1.50	14.25	14.25	10.5
Guest Keen (10)	35.25 - 20.00	0.50	17.90	17.40	2.9
India Foils (10)	78.00 - 38.75	2.00*	84.50	90.00	2.2
Macneil Magor (10)	250.00 - 127.00	12.00	22.00	28.50	41.1
Metal Box (10)	25.00 - 11.50	0.80*	17.10	14.80	5.4
Union Carbide (10)	38.00 - 16.75	0.50	21.25	21.75	2.3
Usha Martin (10)	48.00 - 26.00	1.60*	31.75	32.25	5.0
Tea					
Basmatia (10)	44.75 - 35.25	3.00	29.50	29.50	10.2
Brooke Bond (10)	83.00 - 46.50	2.50	75.00	80.00	3.1
Tata Tea (10)	177.00 - 64.00	5.00*	72.00	67.50	7.4
Miscellaneous					
Britannia Ind (10)	91.00 - 46.50	1.80	140.00	141.00	1.3
Davy Ashmore (10)	30.00 - 18.25	1.50*	18.62	16.75	9.6
English Elec (10)	114.00 - 70.00	3.50	92.25	91.75	3.8
Hindustan Motors (10)	127.00 - 37.10	2.00	41.80	46.90	4.3
Remington Rand (10)	80.00 - 36.50	2.00	31.25	32.00	6.3
Uni Cables (10)	65.00 - 26.50	1.50	78.00	80.00	1.9
DELHI					
Amrit Banaspati (10)	48.00 - 15.00	1.20*	39.00	39.00	3.1
D C M (25)	82.00 - 48.25	3.75	29.00	30.00	12.3
Escorts (10)	102.00 - 45.75	2.20*	90.00	93.50	2.4
Goetze India (10)	61.00 - 21.00	1.80*	53.50	56.00	3.2
Jagatjit Cotton (10)	— - —	1.40*	64.50	62.50	2.2
Kelvinator (10)	105.00 - 49.00	1.60	68.00	67.00	2.4
Modi Industries (10)	87.00 - 16.50	1.80	36.00	36.00	5.0
Prakash Tubes (10)	24.50 - 18.00	1.50	19.00	NA	...
AHMEDABAD					
Anil Starch (100)	225.00 - 147.00	18.00	180.00	184.00	9.8
Aruna (100)	200.00 - 105.00	15.00*	140.00	123.00	12.2
Atul Prod. (100)	667.00 - 311.50	20.00	414.00	422.00	4.7
Bharat Vijay (100)	255.00 - 167.50	10.00	197.00	200.00	5.0
Calico (125)	235.00 - 108.00	N.A.	106.00	100.00	...
Cellulose Prod. (100)	— - —	8.00*	87.00	85.00	9.4
Guj. Steel (100)	300.00 - 140.00	15.00	205.00	200.00	7.5
Mafatlal Ind. (100)	390.00 - 235.00	22.00	374.00	375.00	5.9
Vallabh Glass (100)	275.00 - 105.00	22.00*	80.00	80.00	27.5
MADRAS					
Aluminium Ind. (10)	17.00 - 5.00	1.50*	6.50	6.25	24.0
Amrutanjan (10)	— - —	3.50	68.00	69.00	5.1
Andhra Cement (10)	— - —	1.50	16.50	16.50	9.1
Ashok Leyland (10)	58.00 - 25.00	1.80*	26.00	24.00	7.5
Enfield India (10)	101.00 - 45.00	2.00	26.00	28.00	7.1
Indian Cement (10)	46.00 - 20.00	2.00	24.00	25.00	8.0
Kothari Ind (10)	34.50 - 19.00	1.20*	13.50	13.25	9.1
Madura Coats (10)	69.00 - 27.25	2.50	53.00	57.00	4.4
Mysore Lamps (10)	84.00 - 40.00	2.50	46.00	48.00	5.2
Textool (100)	265.00 - 182.00	18.00	26.50	NA	...

* Latest Available

Gainers	Between 8th September and 19th September
ACC(100)	+ 4.50
Assam Frontier(10)	+ 4.00
Bajaj Auto(100)	+44.00
Bata(10)	+ 6.76
Bayer(100)	+ 7.50
Century Spinning(100)	+35.00
Ceat Tyres(100)	+15.00
Colgate(10)	+12.50
EI Hotels(10)	+ 2.00
Essar Shipping(10)	+ 2.00
Food Specialities(10)	+ 2.50
Garware Polyester(10)	+ 1.50
GNFC(10)	+ 3.00
GSFC(10)	+ 8.50
Grasim(10)	+ 7.00
Hind Alu.(10)	+ 3.50
IEL(10)	+ 1.50
Indian Organic(10)	+ 1.00
Jayant Vitamins(10)	+ 1.00
Lipton(10)	+ 5.00
MRF(10)	+ 4.00
Orkay(10)	+ 1.00
Pr. Auto(100)	+15.00
Ranbaxy(10)	+ 3.50
Sesa Goa(10)	+ 1.50
Standard Mills(100)	+ 1.25
Straw Products(10)	+ 4.00
Tata Chemicals(10)	+ 2.50
Tata Oil(25)	+ 3.00
Zuari Agro(10)	+ 3.00

Losers	Between 8th September and 19th September
Atlas Copco(10)	- 3.00
Asian Paints(10)	- 1.25
Bombay Dyeing(25)	- 2.50
Blue Blends(10)	- 8.50
Duphar(10)	- 3.00
Deepak Fert.(10)	- 1.00
Garware Nylon(10)	- 1.00
Hind. Lever(10)	- 2.00
JK Synthetics(10)	- 0.50
Larsen & Toubro(10)	-11.00
Mahindra & Mahindra(10)	- 2.00
Mangalore Chemicals(10)	- 1.00
MICO(10)	- 5.00
Mukand(10)	- 0.50
Pfizer(10)	- 1.00
Ponds(10)	-40.00
Raymonds(10)	- 1.00
Reliance(10)	-17.00
SPIC(10)	- 3.00
Tata Steel(100)	-20.00
Tata Tea(10)	- 7.00
WIMCO(10)	- 4.00

Indian commodity prices

Commodity	Variety/Centre	1985 *High*	1985 *Low*	Prices as on *September 5, 1986*	Prices as on *September 19, 1*
Foodgrains (per quintal)					
Wheat	Desi-Delhi	285.00	222.50	270.00	285
Rice	Sela-Hapur	319.00	261.50	337.50	330
Gram	Desi-Bombay	607.50	437.50	417.50	405
Sugar (per quintal)	C-30, Bombay	783.00	475.50	597.00	592
Edible oils (per tonne)					
Groundnut	Wholesale-Bombay	16,408.00	13,962.00	25,275.00	24,336
Mustard (tin)	K-Ghani-Delhi	197.50	175.50	262.50	275
Coconut	Cochin	31,750.00	14,700.00	25,000.00	25,250
Steel (per tonne)					
Rounds	6mm-Bombay	6,250.00	5,500.00	5,550.00	5,550.
Angles	75x75x6mm	6,900.00	5,550.00	6,100.00	6,100.
Non-ferrous metals (per quintal)					
Copper	Wire bar-Bombay	4,935.00	4,590.00	4,500.00	4,550.
Lead	Bombay	1,265.00	1,210.00	1,465.00	1,465.
Ferrous scrap (per tonne)					
Heavy melting	No.1-Bombay	2,500.00	1,950.00	2,600.00	2,600.
Re-rollable	Bombay	4,325.00	3,275.00	4,125.00	4,100.
Chemicals (per 50 kg)					
Soda Ash	Tata	312.50	177.50	181.00	181.
Caustic	Flakes	385.00	300.00	400.00	380.
Cement (per bag of 50 kg)					
Controlled		42.50	41.00	42.50	42.
Open market		85.00	60.00	57.00	57.

Commodity prices abroad

Commodity	Centre	Currency/unit	Prices as on *September 5, 1986*	Prices as on *September 19, 198*
Gold	London	$/ounce	404.00	415.7
	Zurich	$/ounce	406.00	416.2
	Hong Kong	$/ounce	409.00	416.8
Silver	New York	Cents/ounce	533.50	578.5
Copper (w.bar)	London	£/tonne	881.00-883.00	906.00-907.0
Soyabean oil	Chicago	Cents/pound	13.17	13.6
Palm oil	Malaysia	$/tonne	440.00	442.0
Castor oil	Rotterdam	$/tonne	600.00	595.0
Black pepper	Singapore	$/quintal	987.00	975.0
Rubber	Malaysia	$/tonne	221.00-222.00	230.00-232.0

Spice price rise

A sharp rise in the prices of turmeric and ginger was the feature of trading in the Indian commodity markets during the fortnight ended 19th September.

Spices. Turmeric prices shot up by almost 50% on heavy export demand particularly from Iran and the UAE.

Ginger prices also moved up as a result of a poor crop this year. Inadequate rainfall in the state of Kerala, which accounts for around 45% of the total ginger output in the country, is reported to have adversely affected the crop. As a result, the quotation for dry ginger in Cochin, increased from Rs. 700 to Rs. 1,275 per quintal while that of bleached ginger in Bombay rose from Rs. 550 to Rs. 700 per 50 kg.

Foodgrains. Wheat prices firmed up by Rs. 15-25 per quintal on better offtake by mill owners. Rice prices, however, remained subdued on account of increased supplies from Andhra Pradesh to various consuming centres. Among pulses, *moong* prices tended to ease on account of large-scale imports of the pulse from China.

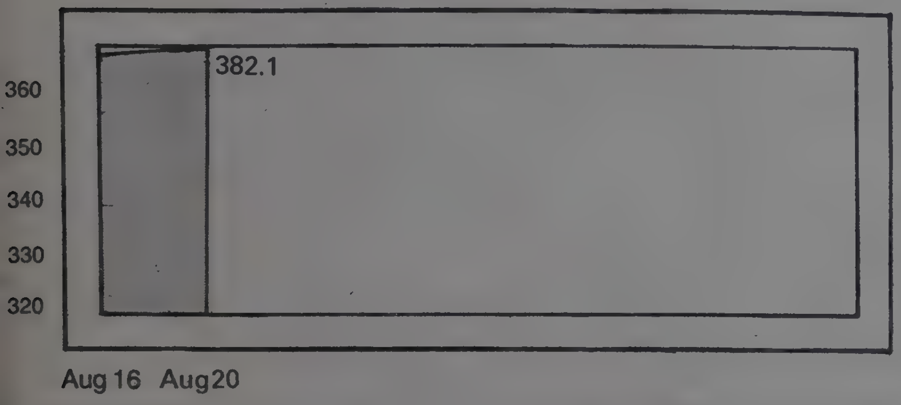
Fibres, yarn. The declining trend in cotton prices was arrested on account of a better offtake by the textile industry in the country which has been doing quite well of late despite the problems experienced by the industry in Bombay. In the wake of the rising demand, the Maharashtra Federation raised its sellin prices by about Rs. 100 to Rs. 200 pe candy. In the yarn market, a quietl steady tendency was in evidence.

Steel, metals. Steel prices ruled stead to better. Among non-ferrous metals copper prices rose by about Rs. 50 pe quintal on account of increased buying Zinc prices also ruled better.

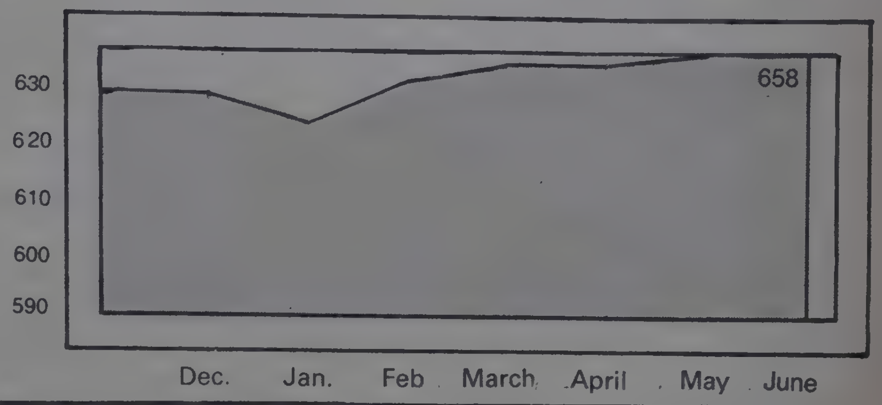
Edible oils. The edible oils market ex hibited a mixed performance whil groundnut oil prices tended to react o stockists' selling. Prices of other edibl oils such as mustard and coconut tende to increase on better offtak considerations.

The dyes and chemicals market rule steady in restricted dealings.

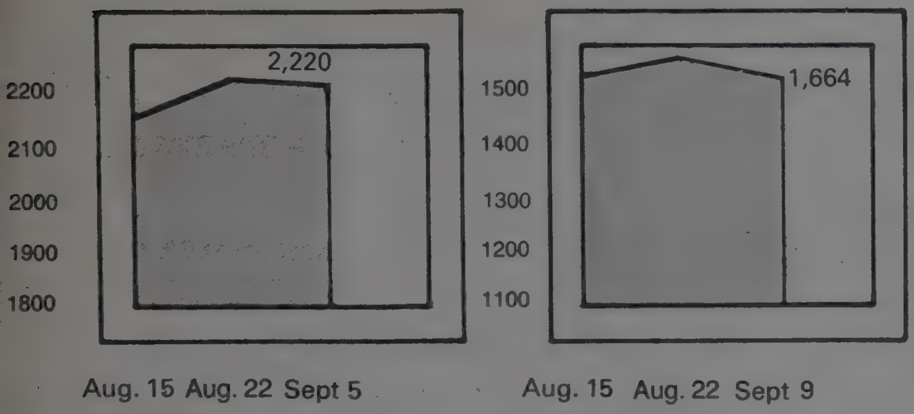
Wholesale Price Index (1970-71=100) 1986



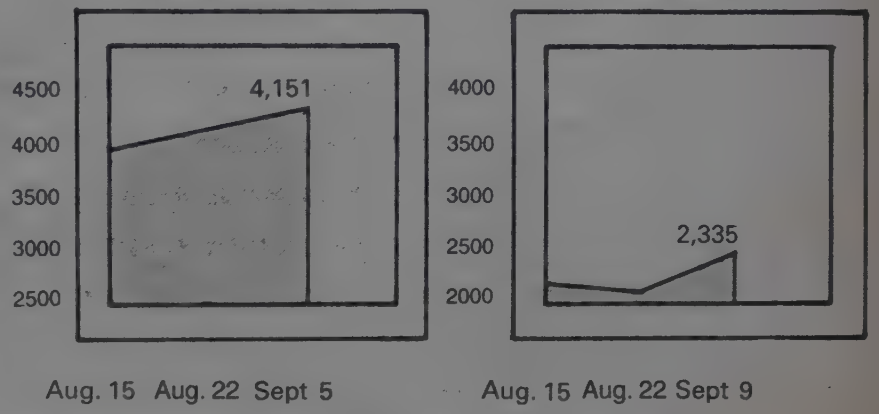
Consumer Price Index for Industrial Workers (1960-61=100) 1986



Gold (Rs. per 10 gm)


Bombay London

Silver (Rs. per kg)


Bombay London

London Interbank offered Rates (LIBOR) ruling on 2nd September 1986

	One month	Three months	Six months	One year
Sterling Pound	10.19	9.94	9.75	9.75
US dollar	5.81	5.63	5.63	5.69
West German mark	4.56	4.44	4.44	4.44
Japanese Yen	5.19	4.88	4.75	4.75

Source: The Merchant Banking Division of the Standard Chartered Bank

Domestic interest rates (% per annum)

	1985 August 30	1986 August 29
Bank Rate	10.00	10.00
IDBI (direct loans)	14.00	14.00
NABARD (refinance)	6.50	6.50
Call money rate* (Bombay)	9.93	9.94
Exim Bank (suppliers' credit)**	9.00	8.50

* Weighted average of rates reported by selected banks
** Effective from 21st February 1986

*Money Supply (M3)	(Rs.crores)	% change over	
August 15, 1986	1,24,782	Fortnight	+ 0.7
August 1, 1986	1,23,863	Year	+15.6
August 16, 1985	1,07,980	Two years	+35.9

** Aggregate Deposits	(Rs.crores)	% change over	
August 15, 1986	93,677	Fortnight	+0.3
August 1, 1986	93,450	Year	+17.3
August 16, 1985	79,832	Two years	+41.0

*** Foreign Exchange Reserves	(Rs.crores)	% change over	
August 15, 1986	4,642	Fortnight	+0.3
August 1, 1986	4,629	Year	−8.2
August 16, 1985	5,054	Two years	−6.6

Bank credit	(Rs.crores)	% change over	
August 15, 1986	82,775	Fortnight	−0.4
August 1, 1986	83,118	Year	+13.7
August 16, 1985	72,767	Two years	+32.9

Foreign Exchange Rates (Spot) 1985 Buying Rs.

	1986 Sept 5	1985 Sept 6
One P. Sterling	18.86	16.15
One US Dollar	12.56	12.18
One D. Mark	6.18	4.22
One hundred J. Yen	8.10	5.06

CSO Index of Industrial Production (1970=100) 1985

September	201.2	February	214.3
October	202.4	March	239.0
November	206.4	April	207.0
December	222.0	May	212.9
1986		June	212.0
January	224.0	July	213.0

Notes:
* *Comprises currency with the public plus deposit money of the public plus time deposits with banks*
** *Demand deposits plus time deposits*
*** *Including SDRs, excludes gold coins*

BusinessWorld
September 29—October 12, 1986

Rajivnation of RBI

The dramatic rejuvenation of the boards of directors of Air-India and Indian Airlines which will now be headed by Rajiv generation industrialists Ratan Tata and Rahul Bajaj respectively, has sent shock waves through the establishment which has hitherto invariably been dominated by the relatively aged.

But the total exclusion of politicians and bureaucrats from the boards of the two nationalised airlines has caused consternation in the large community of hopeful *netas* and *babus,* who having usually created a mess in their previous assignments, are always on the lookout for opportunities to repeat the exercise. Yet the indications are that the recasting and 'Rajivnation' of the boards and managements of a large number of monolithic public sector enterprises and institutions is on the cards.

According to top-level sources in Delhi, the next institution to which Rajiv's greening touch is likely to be applied is the country's premier banking institution—The Reserve Bank of India (RBI). These sources indicate that R.N. Malhotra, governor of RBI, is likely to be put to pasture with a foreign posting and is likely to be replaced by the youthful Arjun Sengupta, currently India's representative on the board of the Washington-based International Monetary Fund. In addition, with deputy governor Amitabha Ghosh—who has reportedly come under a cloud because of his alleged involvement in the Reliance loan *mela*—due to retire early next year, another top-level vacancy is likely to arise in the bankers' bank based in Bombay.

In the circumstances, a dramatic reconstitution of the board of the RBI as per the Air-India and Indian Airlines precedent is imminent.

Monitoring — Ghani style

Unused as they are to "result oriented" working — i.e. working towards quantified targets within the constraints of definite deadlines — the enthusiasm on the part of the mandarins of the Rajiv Gandhi administration to monitor results has thrown the proverbial spanner into public sector enterprises.

Companies under the charge of the industries ministry for instance, have been traditionally required to submit monthly performance reports to the departmental secretary on or before the 7th of every succeeding month for the calender month just ended. To facilitate the submission of these monthly reports, the concerned public sector companies hitherto closed their monthly accounting periods on the 25th — the argument being that non-inclusion of the last few working days' results would still keep performance data reasonably accurate.

Choudhary: accretion of approximations

Enter the Union ministry of project implementation now under the charge of the eccentric — to say the least — A.B.A. Ghani Khan Choudhary, which has instructed public sector companies to file monthly reports on the last day of every month. Predictably, their managers are now closing their monthly accounts around 20th of each month. As a result, their performance reports are more like hit-or-miss guessing exercises.

True, the computers plugged in with the monitoring authorities in New Delhi are getting their diet of figures. But the point is that with the cumulative accretion of approximations, these figures will need to be ingested with ever larger pinches of salt.

Unrepresentative representative

The way things are turning out, Ajit Haksar's relationship with ITC Ltd., of which he is chairman emeritus, could well prove to be an embarrassment to the company rather than a benefit. Recently, the Planning Commission constituted an expert 12 man committee under the chairmanship of the ubiquit Trade Fair Authority of India ch Mohammed Yunus, to evolve a persp tive plan for the development of touri in the country until the turn of century. All the relevant government partments and ministries — touris arts, transport, etc. — are represent on this important committee as are major private sector travel agencies a hotel companies.

But as bad luck would have it, IT Welcomgroup chain is not represent — and not because the government tentionally left it out either. The gover ment nominated Haksar on the comm tee in his capacity as "former chairm of ITC." However, as is well known to except ill-read bureaucrats, Haksar h since launched the Indotels chain whi ITC managers view as a competitor Welcomgroup. Not surprisingly, managers are convinced that Haksar w protect the interests of Indotels rathe than those of Welcomgroup. Whic means that Welcomgroup alone amon the major hotel chains will not b participating in the formulation of th national tourism perspective plan unle the Planning Commission decides to re place Haksar by an ITC executive, or els inducts an additional member to repre sent the Welcomgroup viewpoint.

Either way, for ITC the embarrassmen of having its chairman emeritus holdin somebody else's brief, remains.

Bankers' burden

A top-level change is imminent in the high profile Bombay branch of the London-based Bank of Credit and Commerce International (BCCI). In the wake of the Bombay branch's controversial involvement in the Reliance loan *mela* (the bank is *inter alia* reported to have advanced a large loan to *The Times of Indic* editor Girilal Jain to purchase debentures of Reliance Industries), the future of K. Murari, the Bombay-based regional general manager who supervises BCCI's India operations, is under a cloud.

According to reports originating in London, the adverse publicity that the bank has derived from its involvement in *l'affaire* Reliance and the allegedly brash behaviour and high social profile of Murari which is considered to be incompatible with the unobtrusiveness which is the norm in the bankers' fraternity, has reportedly aroused the ire of the top brass of the bank in London. Consequently the bank is launching a top-level talent search within and without the bank for a banker who can repair the damage to the bank's image while maintaining a low social profile.

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